

FRANCHISORS' SELF-IDENTITY AND SELF-ENACTMENT DURING  
FRANCHISE START-UP AND ITS CONTRIBUTION TO FRANCHISING

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## ABSTRACT

**Purpose** – Globally, franchising is recognised as the fastest growing business development model (Dant, 2008; Stanworth et al., 2004), contributing trillions of dollars and vast employment opportunities to the global economy. Yet remarkably, an extensive number of franchisors cease franchising during the first few years (Stanworth, 2004). Given this situation, it is surprising that there is scant literature exploring both the transformation from a conventional business model to the franchise model and the choice to cease franchising, especially from the franchisor's perspective. This study uses franchisors' start-up narratives to explore their experience of the strategic evolution process (strategic planning, practice, and sensemaking) and the role this experience plays in start-up success and in the franchisor's commitment to continue franchising. It does this by examining franchisors' narratives about their experiences and the sense they make of these across the crucial first few years in 53 businesses that were transformed from a conventional business model to a franchising model.

**Design/Methodology/Approach** – An interpretive approach was used to capture the experience of transforming a business to a franchise model from the franchisor's perspective and the sense the franchisors made of this experience; the narratives were used as a means to obtain rich data (Mills & Pawson, 2006) on what was supporting, surrounding, and changing in relation to this business model transformation. The analysis package NVivo was used to facilitate coding and code management as well as sophisticated analyses of the relationships between codes (Godau, 2004).

Franchisors' start-up narratives ( $N=53$ ) were gathered from three groups of franchisors in New Zealand: nascent ( $N=14$ ), successful ( $N=22$ ), and ceased ( $N=17$ ). These start-up narratives were gathered using in-depth semi-structured interviews, each lasting on average of 120 minutes. The three groups contributed detailed perspectives from different franchising stages: nascent (franchising from 0 to 3 years), proven successful (franchising for at least 10 years), and ceased (completely withdrawn from franchising while the original business remained in operation). The researcher interviewed the full population of available franchisors in these three groups who matched the selection criteria. Interviews were conducted via internet video (Skype) to take advantage of the benefits of the face-to-face interview (Nigel & Horrocks, 2010), while

accommodating franchisors' irregular and demanding time schedules, geographic locations, and the time and financial limitations of the researcher.

To begin, each narrative was examined in its entirety to gain a sense of the start-up sequence of events and the franchisor's overall orientation towards franchise start-up. Next, all start-up narratives were categorised according to the chronology of business development stages (e.g., prior preparation, planning, and implementation). Then, the language used in franchisors' accounts of their experiences in these stages, including their use of ideational elements such as metaphors, arguments, and definitions, was examined in finer detail. This enabled the researcher to identify prevalent themes and patterns, explanatory concepts, and the ways in which these were entwined as well as the purpose they served in franchisors' business transformation narratives. Finally, each franchisor's story was compared with those of other participants, taking notice of commonalities, contradictions, and disjunctions of various kinds to create a set of factors influencing the franchising outcome. The inductive analysis in this sensemaking study meant the franchisors' interpretations of their start-up experiences shaped the conceptual framework that emerged from the findings.

**Results/Findings** – The analysis revealed that, while all franchisors' first franchise start-up stories shared a common chronology of processes and experiences, the franchisors held divergent understandings about many aspects of those experiences. It was found that how each franchisor made sense of their business was key to unravelling why some ceased franchising while others became successful.

The first level of narrative analysis revealed that the primary factor influencing franchise withdrawal was lack of alignment between the original business and franchise operation. Alignment refers to the process of adjusting managerial practices, resource allocation, and strategic planning and practice so that both the franchise and the conventional business work as interdependent entities. The narratives revealed that the sense that there was a lack of alignment caused destabilising tensions as both the business and the franchising require attention, yet the owner/operator's internal conflict drove inconsistencies and a lack of cohesion between franchising operations and the conventional business operations. Noticeably, the ceased group either prioritised franchising over the business, causing detrimental effects to the conventional

business, or prioritised the original business over franchising, thus compromising the franchise format. In contrast, it was clearly evident that the successful franchisors effectively managed the franchise and original business in a balanced and coordinated fashion and did not have a sense there was a lack of alignment. Some franchisors in the nascent group mirrored these successful participants, while others reported experiencing inconsistencies similar to the ceased group.

Deeper analysis revealed why franchising was not always aligned with the conventional business. It was found that all 53 participants experienced an identity dilemma as they made fundamental changes to their original business. An identity dilemma refers to the quandary business owners reported facing in their sense of self when transforming from owner/operator to franchisor. The dilemma emerged as they managed “who they were” as business people in the face of changes in roles, activities, and business structure. The multifaceted nature of this dilemma meant that the new franchise identity could only be accepted through a process of conceptual shifts.

Ultimately, to support successful continuation, a hybrid identity was needed as this provided the latitude to foster alignment between the franchise format and the core business. If this hybrid identity was not created, then withdrawal from franchising occurred. Fundamental to explaining why some franchisors created a hybrid identity and others did not, are the concepts of *identity centrality* (IC): the level of psychological attachment to one’s identity, and *experimentation disposition* (ED): the individual’s propensity to consider and negotiate other identities as relevant parts of the self. A hybrid is an amalgam of the two concepts; low ED/high IC and high ED/low IC are both hybrids of IC and ED. Those who demonstrated a low ED and high IC ceased franchising, and those with a high ED and low IC successfully continued.

Evidence of emerging hybrid identities was found in the narrated experiences of the nascent group, illustrating that those who were in the process of creating a hybrid identity were also evidencing business-franchise alignment. This pattern, whereby a hybrid identity emerged as the original business and franchise operations were aligned, that was evident in the nascent groups influenced the future outcome of these franchises to some extent. Thus, this study demonstrated that not only do individuals enact their self-constructed identity, but their identity is also created from their actions, and individuals are motivated to act in ways which reinforce this sense of self. The analysis showed that a franchisor’s start-up strategy, in practice, is identity forming and the emerging

identity affects how strategy is subsequently formed. Ultimately, the optimum position for successful continuation of the franchise format is both a *hybrid identity* and *business-franchise alignment*.

**Practical Implications** – This study of business owners’ experiences and their sensemaking suggests the decision to convert to a franchise model needs to be based on a careful examination to ensure there is latitude for adjusting the self-identity to create the hybrid identity necessary to sustain business-franchise alignment. Failure to ensure awareness of what becoming a franchisor entails, the associated role changes involved, and the possible changes to the original business may cause an *identity dilemma*, ultimately leading to withdrawal from the franchise format. The competing set of demands from both the franchise and the business that the participants in this study experienced suggests franchise consultants should give prospective franchisors guidelines about how to best align both entities. This study challenges scholars and consultants to help prospective franchisors to understand clearly the direct link between self-identity, actions (e.g., strategic planning and practice and sensemaking) and business outcomes.

**Originality/Value** – This interpretive study contributes empirically to the scant literature on the experience of first franchise start-up from the franchisor’s perspective, while addressing theoretically the lack of qualitative research on franchise failure. The findings highlight how a failure to align the conventional business and franchise format, resulting in franchise termination, is caused by not anticipating and navigating a significant dilemma at the most critical time in franchise development. This has extensive practical implications. In addition, the emergent conceptual framework (featuring the concepts of franchise success/failure, strategy, self-identity, and alignment) provides a useful model for showing how the sense franchisors’ make of the experience of business-franchise alignment and reframing of self affects franchise longevity. This study also contributes to the strategy practice (SP) literature as it applies the concept of SP to the small business arena and looks at SP from the perspective of the person making a business transformation, revealing that this primary practitioner (franchisor) strategically enacts that which reinforces their sense of self during the transformation.

This thesis is original in four respects. Firstly, there is no known study which examines the narratives from three franchise groups: nascent, successful, and ceased. Secondly, despite the start-

up stage being argued as the most significant stage of franchising for sustaining the franchise model, there is no known study like this doctoral study that explores this stage from the franchisors' perspective. Thirdly, the direct impacts on the franchisors' self-perceptions and sensemaking about transforming their business to a franchising model have, until now, been unexplored, despite the clear changes to identity and to the relationship to their original business that new franchisors report. Finally, no studies were identified that consider the relationship between franchise start-up strategy and its impact on franchise continuity. This suggests that the findings of this study offer ground-breaking insights to this field of research.

**Keywords** – sensemaking, franchisors, self-identity, successful business transformation, start-up dilemma, narratives, strategy practice

## ACKNOWLEDGEMENTS

To truly acknowledge the key characters in my story, the prequel must first be told.

I was brought up in Christchurch, New Zealand. I am the second oldest of 13 children, born to the same parents. My parents had unusual religious, cultish beliefs and chose to shield us from any outside influences that might lead us astray from their religious teachings. Therefore, growing up, we never watched television or read newspapers, and we had very minimal contact with the outside world.

My siblings and I never attended kindergarten or school and never went to the doctor. Excursions outside our home were heavily supervised. We did not even attend church. We had no friends or contact with extended family. The full extent of our education was limited to reading, writing, addition, and subtraction.

All aspects of my childhood were controlled, including how my siblings and I dressed. For instance, it was compulsory for my sisters and I to dress in long skirts and wear head scarves. We were subjected to abuse—so much so, that it led to a significant jail sentence for my father. I escaped home at 15, barely knowing how to cross a road properly. Not long after this, my younger siblings were removed by Child, Youth and Family (the New Zealand Government agency dedicated to supporting children in need) and put into the care of a family member whom they had not previously met. At 15, I was enrolled in a course to assist young women in gaining life skills. It was about that time that I began renting my own one-bedroom unit and began my first relationship.

A few months later, at just 16, I discovered I was pregnant. I remember standing in the bathroom, staring at the pregnancy test. It felt like I was holding two bus tickets and had to decide which way to go. I could adopt out my child or work hard and give the best I possibly could to my baby. I chose the second path even though the fear of continuing my childhood cycle was very real. I knew I had to raise my son in the opposite way to how I was raised. With this in mind, I continued my life skills course until I was heavily pregnant.

Not surprisingly, my young relationship did not last, and I found myself giving birth to my baby at 16, alone, gratefully holding a nurse's hand. After three days in hospital, my new baby Andre and I bussed home to our own little flat. Unable to attend my life skills course, and now with even more of a sense of urgency to improve my education, I enrolled at *Te Kura*, The Correspondence School (a school providing distance education from early childhood level to Year 13). I sat on the floor of my one bedroom flat and studied every time little Andre was asleep. This continued until I learned about another school, *Karanga Mai*, a school for teen parents. At *Karanga Mai* I learned social skills. I learned how to learn. I even learned how to catch a ball. While I pursued my education, my son attended the childcare centre at the school.

I studied at *Karanga Mai* until Andre was ready for school. In my final year, I won the Clayton Cosgrove Cup of Excellence for achieving the greatest number of unit standards (learning outputs) in one year. I had also achieved NCEA Level 1 and Level 2, and I passed my learner's and then my restricted driver's license. With a heavy heart, but great anticipation for the future, I graduated from *Karanga Mai*.

The next step was for Andre to attend school while I attended the University of Canterbury. University was initially a challenge. I was a young mum *and* a student, and I was not quite ready academically. In the first few years, I worked very hard but only managed to get Cs. The staff at the University of Canterbury were encouraging and passionate. Their enthusiasm for seeing their students succeed sustained my motivation.

In my third year at Canterbury University, I fell pregnant with my second child, yet continued classes. On the day of my final exam, 9 months pregnant and due at any time, I had intended to slip unnoticed into the exam theatre, wearing an oversized jumper ... only to find I could not fit between the rows of desks. A special table and chair had to be placed in front of the entire lecture theatre for me—so much for being discrete!

After the birth of my second son, William, I continued at university, although only part-time study was possible. I juggled two children and multiple classes, spending many days studying with one hand typing on the computer and the other arm holding my baby. I completed my Bachelor of Commerce in 2010 and, as I was now achieving A grades, I was accepted into the Management

Honours Programme. I worked extremely hard in my honours year, sometimes doing 50 hours a week. My goal was to get top grades and achieve first-class honours.

My children were always my priority, so my study hours were always fitted around them. When William was in day care and Andre was at school, I was a student, studying from 9.00 a.m. to 3.00 p.m. Then I would be mum and clean the house, help with homework, and cook dinner. After my children went to bed at 7.30 p.m., I'd be a student again, studying to about 11.00 p.m., 7 days a week.

My hard work paid off; my Honours grades were the best among the Management Honours students' for 2011. To my delight, I received first-class honours. Due to my high grades and the recommendation of my supervisor, Associate Professor Colleen Mills, the Head of Department approved my enrolment in the PhD programme. This meant I skipped the second year of the Masters programme.

My PhD was the most memorable part of my academic journey. I loved it while at the same time dreaded it; mostly I threw myself into it but at times I hid from it. I learned and grew so much, both academically and personally.

There were some incredible people who inspired me and encouraged me on my journey. Words of friends, lecturers, supervisors, and teachers resounded in my ears as I struggled through my years at university, which were hard, and often lonely. "Reach for the stars, Faith," I was continuously encouraged. Those words, and the belief these amazing role models had in me, empowered me and motivated me. The people in my personal and academic life gave me the tools to achieve far beyond what I dreamed I could do. They taught me that with self-belief, dedication, perseverance, time management, and determination, almost anything is achievable.

To my readers: You have 24 hours a day. You are the writer of your life story; therefore, you choose how the story is told. So remember, as you narrate your biography, don't *just* reach for the stars, my friends; *look* to the stars but *reach beyond*!

I dedicate this thesis to the main characters of my story; without them, this story could not have been told.



Jude Wastney: Seventeen years ago you rescued a fallen bird, you tenderly bandaged her wing and helped her fly. Like only a mother would, you anxiously watched her fly and fall. When she gained confidence you stepped back proudly, when she flopped you were the invisible wind that gave her flight. To the only true mother I have ever known, thank you. I fly high, because of you.

My brothers and sisters: Twelve little seeds fought through rocky hard ground to reach the sun. Now you are all strong towering trees. Live long, live well, and live life to its fullest. You are my forever inspirations.

Dr. Jennifer Hindin-Miller: Dear Jenny, you created a legacy that will live on forever. Giving young parents the opportunity to be educated is a precious gift that keeps on giving. Thank you for giving me a second chance at education and life.

My supervisor, Associate Professor Colleen Mills: The endless patience and dedication you have shown me is truly humbling. You were my guide and teacher, and from you I have learned lifelong lessons. Your enthusiasm and endless hours of work got me to the other side. Thank you from the bottom of my heart.

My second supervisor, Professor Bob Hamilton: With utmost respect and admiration, I thank you for invaluable advice, guidance, and patience. I hope I have made you proud.

My participants: To the 53 participants who put their precious time aside to spend hours telling me their stories, I am most grateful. Without your stories, this thesis could not have been written.

My sons, Andre and William: To choose to have children means to choose to change a part of you forever. A mother's love is so intense, it influences every thought, action, and decision. My sons, when I could not go on, I could because of you. Because of that, this thesis is especially dedicated to you.

## GLOSSARY OF KEY TERMS

**Alignment.** The state where the conventional business and the franchise format are operating as mutually dependent entities with compatible resource allocation, strategical dimensions, and managerial methods.

**Alignment Tension.** The tension that arises when both the original business and the franchising imitative require equal input, yet external and internal business demands and the owner/operator's internal conflict drives inconsistencies and lack of compatibility between these entities.

**Experimentation Disposition.** The willingness to engage in activities that have the potential to challenge business owner's existing self-identity and the ease to which they experiment with new facets of self-identity.

**Franchising.** A business model that is founded on a contractual agreement which permits one party, the franchisee, to market products and services using the trademark and operating methods of the other party, the franchisor, in return for mutual financial gain.

**Franchisor:** Franchisor is the label given to the business owner after he or she has his/her/ first franchisee.

**Hybrid identity.** The personal business identity that results when the nascent franchisor retracts parts of their original business identity and incorporates a new (franchisor) identity into their overall self-identity.

**Identity Dilemma.** The quandary business owners face when transforming from owner/operator to franchisor, where "who they are" as businesspersons is challenged by the change of roles, activities and business alterations.

**Identity Centrality.** The psychological attachment to one's identity. The level explains an individual's relative predisposition to consider and incorporate other identities into their sense of self.

**Self-enactment.** The process by which individuals act out their sense of self and behave in ways that reinforce this self-characterisation.

**Self-identity.** The self-constructed label or description that signifies the sense a person has of themselves that distinguishes them from others.

**Sensemaking.** The retrospective and reflective process in which meaning is made that is an individual's response to times of uncertainty and ambiguity (Weick, 1995)

**Strategic Evolution.** An evolutionary process that is emergent in nature; it digresses and develops from strategic intent through a cyclic process involving variables such as learning, reflection, knowledge, and other internal and external variables.

**Strategic Planning:** The process of identifying business objectives and identifying the means by which the organisation will seek to pursue these.

**Strategic Practice:** A deliberate ongoing process involving recursive cycles of sensemaking and action directed towards the achievement of strategic objectives.

## CHAPTER ONE: INTRODUCTION

### Introduction

Franchising involves a contractual agreement between two parties which permits one party, the franchisee, to market products or services using the trademark and operating methods of the other party, the franchisor, in return for mutual financial gain (Larty, 2010; Wright & McAuley, 2012). For businesses owners, franchising can play a central and significant role in the expansion of current businesses (Watson, 2008). It offers a means to expand rapidly, minimising the risk of debt or the cost of equity, while increasing employment opportunities and creating a variety of self-employment prospects (Solis Rodriguez & Gonzalez-Diaz, 2011). In New Zealand, there have been numerous franchises (e.g., Jims Mowing, Green Acres and Hire a Hubby), which have flourished and are now international successes.

The literature on franchising is extensive with much of the research on franchises focusing on the form and performance of the actual franchise: franchise performance, growth, and survival (Castrogiovanni & Justis, 2002); organisational structure (Sorenson & Sørensen, 2001); the franchisor-franchisee relationship (Davies, Lassar, Manolis, Prince, & Winsor, 2011); and international franchising (Dant, Grünhagen, & Windsperger, 2011).

There has also been extensive research conducted on franchisees' perspectives, such as how franchisees see the advantages of franchising, the decision to become a franchisee, and franchisee behaviour (Larty, 2010). However, there is a dearth of research closely examining the start-up stage of franchising – when a business owner transforms their business model to a franchising model – despite the claim that this stage contributes most to the franchise longevity (Watson, 2008). The literature tells us little about this transformation from the franchisor's perspective and the sense they make of their transformation from business owner to franchisor. This is a significant oversight if we assume that sensemaking is an individual's response to times of uncertainty and ambiguity (Weick, 1995), such as those that occur when they embark on a new strategic direction such as starting a business or changing their existing business model.

Strategy is another popular topic in business literature and has spawned many articles in the business journals. Traditionally, strategy has been defined as “broadly defined objectives that an

organisation must achieve” (Ali, 2013, p.3). In recent times, interest has accelerated as scholars have started questioning the way strategy is conceived. Increasingly, scholars are being challenged to (re)conceptualise strategy as something a firm does rather than something it has (Whittington, 2011). This challenge has fuelled a practice turn in the strategy literature. Researchers pursuing the *strategy as practice* (SaP or SP) perspective have employed various approaches to examine SP and have proposed a wide range of ways that SP can be framed. For example, SP has also been conceived to be a discursive process (Ezzamel & Willmott, 2004).

In line with this, Fenton and Langley (2011) propose that a firm’s narrative can be conceived to be SP. At the micro level, Kaplan (2011) examined PowerPoint and proposed its use can represent a form of SP strategy in family firms (Nordqvist, 2012). Although these studies use varied lenses to study strategy, the unanimous proposal is that strategy cannot be distinguished by planning or strategic intent alone, but that a significant ingredient of strategy involves the implementation or, in other words, the doing, of strategic actions in the course of realising a strategic intent.

Self-identity has been defined as “the character that the individual takes themselves to be” (Watson, 2009, p. 255); in essence, it’s how one makes sense of “who I am” (Mills, 2011). Implementing a franchise strategy causes considerable reflection on the business owner’s sense of self and their business creation as an expression of self (Jeremiah, 2012). Yet surprisingly, while the research exploring self-identity in the entrepreneurship literature (e.g., Mills, 2006, 2011; Watson, 2009) is growing, almost no research has investigated the role identity plays in the transformation from an owner/operator to a franchisor. As topics of academic interest, strategy and identity are independently significant topics in the business literature. As we shall see, this doctoral study shows that they are tightly entwined in a franchisor’s experience of transforming a conventional business to a franchise model.

### **The Research Gap and Research Question**

Franchising is a topic that has been studied over many decades (see Chabowski, Hult, Tomas, & Mena, 2011; Combs, Ketchen & Short, 2011a, 2011b; Dant, Grünhagen & Windsperger, 2011; Larty, 2010; Wright & McAuley, 2012), yet none of the research identified in this domain has focused entirely on the franchise start-up stage from the franchisors perspective, despite this being recognised as the most significant part of the franchise life cycle (Floyd & Fenwick, 1998; Holmberg & Morgan, 2003; Stanworth, Purdy, English, & Willems, 2001; Watson, 2008). This

poorly understood stage in franchise development constitutes “a considerable challenge” (Stanworth, Purdy, & Price, 1997, p. 58), is “critical to future success” (Floyd & Fenwick, 1998, p. 36), and is “important to reducing franchise failure” (Watson, 2008, p. 16). These statements, and the fact that franchising is one of the most rapidly developing business models in New Zealand and internationally (Wright & McAuley, 2012), highlight the significance of the proposed study, which seeks to examine, in depth, the sense the franchisor makes of strategic planning and implementation at the most critical point of the business development process. In exploring meaningful strategic practice in franchise start-up, this study develops an empirically-based conceptualisation of the relationship between the sense made of practices at the start-up stage and its implications for business longevity.

My reviews of franchisors and strategy literatures and their intersections with the sensemaking literature have revealed several significant gaps that my study proposes to fill:

- (1) Despite the start-up stage being argued as the most significant stage of franchising because of its impact on business continuity, there is no known study that explores this stage from the franchisor’s perspective.
- (2) There is a paucity of studies considering the relationship between franchise start-up strategy and its impact on franchise continuity.
- (3) There is a clear absence in the strategy practice literature of studies addressing the reflexive sensemaking processes that are intimately involved in all deliberate meaningful practice.
- (4) The direct impacts on franchisors’ self-perception that result from franchising are unexplored, despite the clear changes moving to a franchise model bring to nascent franchisors and their businesses.

Because of the growing number of franchises, it is increasingly important to minimise these knowledge gaps and gain clearer insights into the sensemaking processes franchisors’ engage in while strategising as well as into the particular challenges franchisors may face when moving from strategic intent to strategy in action. Understanding the factors that contribute to the survival of franchise organisations is important too, particularly given the alarming statistics on franchisor

failure rates during the first few years of franchising (Larty, 2010; Watson, 2008; Stanworth, Purdy, Stanworth, Watson, & Heales, 2004).

Given that people act upon the sense they make of their experience in an ongoing manner, any study of deliberate action has sensemaking at its heart as a key factor in explaining strategic practice. For this reason this doctoral study took a sensemaking approach, recognising it needed to look at the process of starting a franchising operation through the lens of the franchisors' sense of their start-up practice. A research question was therefore needed that coupled the person (franchisor), the process (establishing a franchising operation) with the actions taken (strategy practice) and that acknowledged the central role of sensemaking and linked all these dimensions to the decision to continue with the franchise model. In other words, a question was needed that focused the inquiry on what the business owner did (practices) and the sense he or she made of these practices (sensemaking) and how this combination of doing and sensemaking explained whether they chose to continue to run a franchising operation (or not).

Therefore, the question this research asks is: "During the start-up stage of franchising, how does the strategic evolution (implementing the franchise strategy combined with franchisors' sensemaking) set the stage for franchise continuity?"

### **The Research Contributions and Implications**

The expectation is that this study will contribute theoretically by addressing the four significant research gaps mentioned above. In particular, it will be one of the first studies to examine franchise setup from the point of view of the sense franchisors make of their experiences of starting their first franchise unit and doing this by looking at strategic planning and practice during franchise start-up and its impact on franchise continuity. The study went beyond the current tendency to focus on the implementation of strategic intent, or strategy as practice (SP), by coupling these to sensemaking in order to give prominence to the reflexive, iterative dimension of how franchisors make sense of their practices.

It doing so, it shed light on significant contributing factors that shape franchisors' sensemaking and decisions to continue or cease franchising. Specifically, it revealed how business owners' self-characterisations (i.e., self-identity) and the intricate and multifaceted ways impact on their strategic behaviour, or strategy practice, during business expansion. The study produced a

conceptual model that captures the importance of self-identity in the sense franchisors made of their start-up practice. This model has major implications for policy makers, scholars, and providers of franchising education and business development support. It offers a means of evaluating the process of establishing a franchise operation by highlighting the vital role of self-identity in franchisors' experience during this process.

The gaps in the literature that this thesis addresses are summarised below:

- The franchisors' experience of changing business models from a conventional business model (that the person has set up) to a franchise model and the sense they make of this experience has not been theorised. This doctoral study theorises this transformation from the franchisors' point of view.
- Specifically, it contributes empirically to the scant literature on first franchise start-up from the franchisor's perspective.
- It theorises the role of self-identity alignment – contributing new concepts in the process. In doing so, it challenges scholars and business consultants to understand the direct link between self-identity, praxis (actions) and sensemaking (which is an inextricable part of the praxis that people engage in in order to establish their practices).
- It contributes to the scant qualitative research on franchise failure. It does this by focusing on franchisors' sensemaking about their start-up strategy practice and revealing the link to business outcomes (continuation or cessation of franchising). This has never been done before from the franchisor's perspective. In doing so, it reveals the significance of self-identity rather than commercial success indicators.
- The emergent conceptual framework (combining the concepts of sensemaking, franchise success/failure, strategy, self-identity, and alignment) is new and practice-oriented and provides scholars and practitioners with new concepts/tools (business-franchise alignment and reframing of self) and shows how these affect franchise longevities.
- It contributes to the strategy practice (SP) literature by applying the concept of SP to the small business arena and looks at it from the perspective of the person making a business model transformation.
- The SP literature is strongly focused on large operations. This study looks at the overlooked area of small business start-up (specifically starting a franchising operation) and reveals



what the primary practitioner (franchisor) does strategically during business transformation, how they make sense of this strategic action and how this is linked to self-identity enactment.

## Thesis Structure

This thesis has eight chapters. Following this introduction there is a literature review and a methodology chapter. Each of the findings chapters that follow provides the foundation for the subsequent chapter, and together the findings chapters provide the foundation for the conceptual model presented in the penultimate chapter. This conceptual model of how business owners experience transforming their business to a franchise model is evidence of the utility of a sensemaking study that uses a narrative approach. The model not only conceptualises the experience of this business transformation from the franchisor's point of view but reveals the centrality of self-identity and its impact on franchise longevity.

Chapter 2: This study was motivated by an interest in the experience of transforming a regular business into a franchising operation and the sense the business owner made of this experience. The literature review therefore sought to establish what is known about franchising and establishing franchise operations, the business owner's experience of undertaking such a transformation and the sense they made of this. Much has been written about franchising and several major reviews were located. These were not recent so the review process set out to systematically examine the literature that was not in these reviews. This process was extensive and included reviewing the literature that had been published in the top entrepreneurship journals since these reviews were conducted. The review discusses a franchising definition and explores the prevalence and significance of franchises today. It draws attention to the benefits of franchising, while examining the literature on why firm owners will opt to franchise as a growth strategy. The literature on conditions for a franchise start-up are investigated to establish what is known about how these conditions influence the success of a franchise system.

The review process had two phases so the literature chapter reflects this. Firstly, it explores the literature on the topics of franchising and strategy to establish what is known about how a franchising strategy plays out in practice (typically referred to as strategy as practice – SaP or SP), examining its different components and how these articulate with sensemaking, the process of

making experience meaningful (Weick, 1995), which is at the heart of this doctoral study. It concludes that SP and sensemaking cannot be separated and notes the dearth of studies that explore the sense business owners make of their strategic business transformation experiences as they transform their operation from a conventional to franchise model. Secondly, the literature on the concept of self-identity, which emerged from the analysis as the central factor in the franchisors' sensemaking process is explored. It needs to be stressed that, while identity was recognised as a theme in the entrepreneurship in the initial literature review, the significance of the literature on this theme became evident as the analysis of the franchisor's business transformation narratives revealed that self-identity was a key element in the sense they made of their franchise development experiences.

Chapter 3: This chapter discusses research paradigms and theoretical tools before highlighting the author's philosophical approach to this study. Because the research question focused on the lived-in experience of the participants from their viewpoint and the sense they made of this experience, an approach was needed that gathered not only their experiences, but their interpretations (sense). An interpretive approach was chosen with narratives being judged to be the best methodological tool (Brown, 2008; Mills & Pawson, 2006) to gather rich data regarding the franchising start-up process and its chronology (the 'what and how') and participants' interpretations (sense) of this process. The interview process used to gather franchisors' experiences is described followed by a brief summary of the participants' profiles. The analysis process is then described.

Chapter 4: The chapter begins by giving further information on demographics of each of the three groups of franchisors studied. It then describes the franchise start-up process reported in the franchisors' narratives and synthesizing a typical chronology of the stages in this process. While recognising that these stages are often iterative or undertaken in a different order, the franchisors' narratives reflected the general sequence of events as described. Next, the decision to franchise, and what was involved in the decision-making process, is discussed. A level of preparation in order to franchise was undertaken by most participants before any planning took place. How this occurred, and was successively implemented, is covered next.

Chapter 5: This chapter focuses on the stage absorbing the largest part of the start-up years: the evolution of strategy, or the iterative cycle of planning, action and sensemaking. The chapter

discusses findings concerning planning method and cases of minimal planning or detailed planning as interpreted by the narrators of each group. Next, the simultaneous strategic planning and action that was evident in the narratives is discussed, followed by the findings about the way the franchisors reported the refinement of plans that occurred throughout implementation. The interface of sensemaking and strategic planning and actions that were revealed by the analysis are also highlighted as playing a very key role in franchisors' decisions or actions undertaken and subsequent refinement.

Chapter 6: The final findings chapter is split into two sections. The first half is concerned with the how franchisors accounted for continuing or ceasing franchising operations. It begins by explaining the finding that the decision to continue or cease was provisional and was ultimately part of the overall strategy. This part of the chapter then reveals that failure to align the franchise format and the conventional business was the ultimate reason the franchisors gave for why they ceased franchising. Alignment refers to the state where the conventional business and the franchise format are operating as mutually dependent entities with compatible resource allocation, strategical dimensions, and managerial methods. The importance of alignment in explaining the way the franchisors made sense of their decisions is then discussed.

The second half of the chapter expands on the primary reported cause of the franchising outcome to reveal why some franchising operations persisted and others did not. All franchisors reported being challenged by the change associated with moving to franchising and being confronted with "who they identified themselves as" in the business domain. This study revealed that those who reported responding by creating a hybrid identity (unification of the franchisor and founder identities) continued to align the core business with the franchising aspect, as it then reinforced their sense of self; those whose narratives revealed that they failed to reframe their identity, consequently failed to align the two parts of their business operation, and subsequently ceased. The types of hybrid identities that were created by participants are revealed, followed by further findings showing how those who did not create a hybrid identity and reportedly retained their original identity and/or positioned being franchisor as a negative identity subsequently withdraw from the franchising format.

Next, the chapter reveals how the franchisors made sense of their self-constructed identity and the role this played in driving not only their reported behaviour, SP, or *what* they did (e.g., alignment throughout the strategic evolution), but also the reasons they gave for *why* they behaved in a certain way during their business transformation. The chapter also reveals how that behaviour then either reinforced or challenged their identity. Thus, this chapter deals with the heart of the emergent model of how they made sense of their start-up experience – self-identity – and the way this explained the franchisor's SP and whether they continued franchising.

Chapter 7: This chapter draws attention to the key findings, and their significance, and how these come together to create the conceptual model that encapsulates the sense the franchisors made of their start-up stage and the key factors that contributed to their franchise success. In so doing, this model can be used as one of the ways franchisors and professionals ascertain if a franchise is on the path to success or failure. The conceptual model is then discussed in terms of its contribution to the literature.

## Conclusion

This chapter has introduced my doctoral study, explaining how it uses franchisors' narratives to explore how they make sense of their experience of transforming a conventional business to a franchise model. It has briefly explained the contribution the study seeks to make to theory and practice by filling four significant gaps in the literature. It explained how the study proposed to do this by focusing on the strategic evolution during franchise start-up and exploring how the sense made of this evolution process links to franchise longevity (continuing with the franchise model or reverting to the original business model). It finished by outlining the content and structure of the chapters that follow.

## CHAPTER TWO: LITERATURE REVIEW

### Introduction

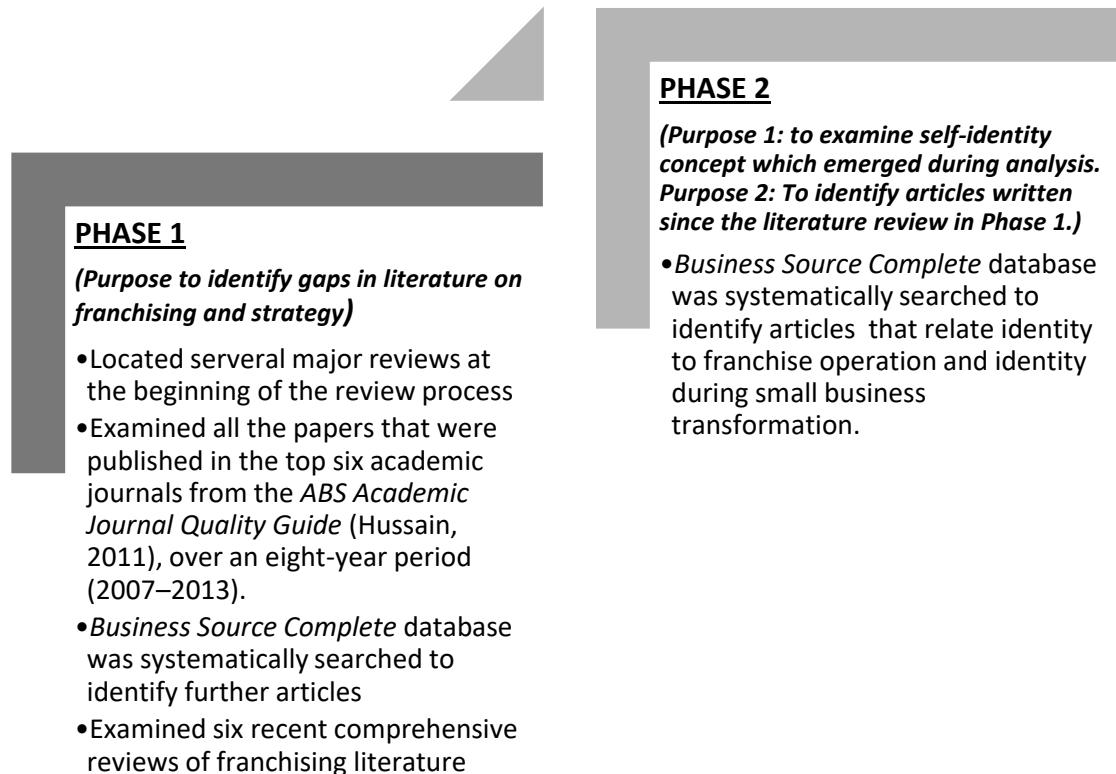
This doctoral study is about how franchisors make sense of their experience of transforming a conventional business to a franchise model (i.e., implementing a franchising strategy). It is specifically interested in the strategy used in this transformation process, the sense made of this and its link to the continuation/ceasing of franchising. The literature review was designed to explore what is known about the experience of starting the first franchise in a transformation to a franchising model, the sense made of this startup process and its consequences. This chapter's structure reflects a two-phase review. It starts by reviewing the literature on franchising and the people who engage in this sort of business model (i.e., franchisors) and the related topic of strategy as practice to establish what is known about entrepreneurs' experience of transforming a business to a franchise model and the sense they make of this experience. It then explores self-identity, which emerged as a key dimension in the participants' transformation experience.

Phase one involved systematically reviewing the literature on both franchising and strategy. It explored the benefits of franchising and the literature that addresses why firm owners opt to move to a franchise model as a growth strategy. As part of this, the conditions influencing franchisors' decision to continue with a franchise system were explored. Also explored were the different components of strategy and how these articulate with sensemaking and their impact on new venture creation and sustainability. These explorations revealed that there is scant literature on business owners' experience of transforming a conventional business into a franchise model, their reported strategy practice and the sense they make of this and how these are linked to decisions to continue or cease franchising. It is this gap in the literature that provided the rationale for the research question.

As the study employed an interpretive approach, there was not a pre-emptive theoretical framework driving the analysis. This meant concepts that were incorporated into the emergent conceptual framework were suggested by the analysis rather than the extant literature. The concept that emerged as central to understanding franchisors' start-up experience the heart of the emergent model was 'self-identity'. Therefore, in the second phase of the literature review the literature on business people's self-identity was also explored as the significance of this concept became apparent. This second phase of the literature review occurred as the analysis revealed the centrality

of identity in the participants' narratives. It was therefore not part of the review that identified the gaps in the literature. The structure of the review is given in the following diagram (Figure 1).

Figure 1: Literature Review Structure



### Literature Review Process

Much has been written about franchising and several major reviews were located at the beginning of the review process (Dant, Paswan & Stanworth, 1996; Elango & Fried, 1997; Combs, Michael, & Castrogiovanni, 2004; Larty, 2010). These were not recent so the review process then involved systematically examining the literature that was not in these reviews.

To establish what had been learnt since these reviews were conducted about franchising, franchisors and strategy relating to franchising a review was conducted that involved examining all the papers that were published in the top six academic journals from the *ABS Academic Journal Quality Guide* (Hussain, 2011), over an eight-year period (2007–2013). Table 1 illustrates the number of franchise articles that featured in these journals. The findings were considered alongside other papers and the findings of substantial reviews of the franchising literature.

Table 1: Franchising Articles in the Five Top Entrepreneurship Journals

Year	Entrepreneurship & Regional Development	Entrepreneurship Theory & Practice	International Small Business Journal	Journal of Business Venturing	Journal of Small Business Management
2007		1	2	2	
2008					8
2009	1				1
2010		1			1
2011		11	1	2	
2012		1	1		5
2013					

In addition to the papers identified by this review process, the *Business Source Complete* database was systematically searched using the following criteria to identify further articles on these topics. All journals selected for examination were peer reviewed and included one or more keywords related to franchising (i.e., franchisor, franchisee, franchise) and keywords related to strategy (i.e., strategy as practice, strategy implementation, strategic intent, strategic planning). These two groups of keywords were then used simultaneously to search for appropriate articles. While this search focused on articles written over the previous eight years, the search was not confined to that time period. The search words were required to be in an article's keywords or in the title. Only 13 articles were found that had both franchising and strategy as keywords (or synonyms).

This process produced six recent comprehensive reviews of the franchising literature (Chabowski, Hult, Tomas, & Mena, 2011; Combs, Ketchen, & Short, 2011a, 2011b; Dant, Grünhagen, & Windsperger, 2011; Wright & McAuley, 2012; Nijmeijer, Fabbriotti & Huijsman, 2014). These were examined for research on franchising (especially franchise start-up, the experience of start-up and the sense made of it), and strategy (intent and practice).

Chabowski et al.'s review (2011) investigated the interrelationships amongst franchising research articles from 40 journals over a period of 4 decades. Combs and his co-authors reviewed 63 articles published from 2004 to 2010 to uncover recent insights about franchising; later, in a 2011 paper, they published another article that reviewed papers exploring resource scarcity, agency theory, and plural form symbiosis related to more recent theories in franchising. Dant et al.'s review (2011) looked at articles written across a range of disciplines from 2007 to 2011 while Larty (2010) examined entrepreneurship and management journals written over a twelve-year period. Wright

and McAulvey's (2012) review highlighted the brief history of the development of franchising in Australia and its regulatory framework.

From this review of the literature, it was clear that there was a significant gap in the literature in terms of studies that simultaneously addressed franchisors and strategy, particularly start-up strategy and how franchisors made sense of this strategy. In the following sections, literature on franchising and franchisors, franchising today especially in New Zealand, the significance of franchising for the franchisor, franchising as a growth strategy, the conditions needed by new franchisors and the fragility of the early years of operating a franchise model. The focus then turns to strategy and sensemaking. The literature on self-identity (examined in phase two of the review process) which, as noted earlier, emerged as a key element in the conceptualisation of how franchisors make sense of transforming their business to a franchise model is then reviewed. This review includes examining those studies that relate identity to franchise operation and identity during small business transformation.

There is a vast literature on franchisees and their franchises. However, the experiences of franchisees and the sense they make of these experiences are not the focus of this doctoral study. This means that while some general observations are made about the franchisee literature in the first section of this review, this literature is not reviewed in detail. The only section of this literature that is of relevance is the literature on the franchisor-franchisee relationship as this relationship, particularly the relationship between the franchisor and the first franchisee, is a factor in the nascent franchisors' start-up experience.

### Franchisors and the Franchisor-franchisee Relationship

Franchising is commonly defined as a business system that consists of the owner (franchisor) of a market-tested business and a contractual relationship with an independent individual or company franchisee (Solis Rodriguez & Gonzalez Diaz, 2012; Chabowski, Hult, Tomas, & Mena, 2011; Michael, 2014). The franchisor grants the franchisee a licence to market and distribute the franchisor's goods or services under the franchisor's name and according to a specified format in return for royalties or other fees (Watson, 2008; Michael, 2014). This licensing form includes a brand name and logo, trademarks, service standards, products, technical expertise, advertising, and methods of operation (Stanworth, Purdy, Stanworth, Watson, & Healeas, 2004; Watson, 2008).



Such arrangements allow franchisees to be incorporated into a franchise network with its market tested strategies and gain the operational advantages derived from the economies of a large-scale operation (Solis Rodriguez & Gonzalez Diaz, 2012).

Modern franchising dates back to the 1850s when Isaac Singer (franchisor) established a franchise system to increase the distribution of his sewing machines (Dant et al., 2011). In the late 1800s and early 1900s, many other forms of franchising took place. Examples of early franchising include the franchising of gasoline stations, oil refineries, soft drink bottling plants, and auto manufacturers (Stern & Stanworth, 1994; Baker & Dant, 2008). Advances in transportation and mobility became the driver for many new retail and restaurant franchises (Dant et al., 2011). As a result, after the Second World War, franchising began to thrive and spread to numerous countries across the globe. Subsequently, the 1950s also saw a boom in franchising as massive numbers of convenience goods franchises, such as McDonald's and Kentucky Fried Chicken as well as franchises offering laundry services, hotel accommodation, and rental cars began to flood the marketplace, both in their nation of origin and abroad (Stern & Stanworth, 1994; Dant et al., 2011; Michael, 2014).

At the heart of franchising is a relationship between a franchisor and one or more franchisees, which the literature suggests is a unique business relationship (Mendelsohn, 2004) and contains factors that are critical to the success of the franchising operation (Justis & Judd, 2002; Nathan 2002; Lim & Frazer, 2000; Mendelsohn, 2004). According to Flint-Hartle (2010), franchisors and franchisees see their relationship very differently. For example, franchisors report much lower levels of conflict in their relationship than franchisees. This, we can assume, explains why franchisees are likely to be less satisfied than franchisors. Flint-Hartle's (2010) study, like others located in this review, focused on the franchisee's experience, highlighting a strong bias in the literature towards understanding the franchisee experience.

The franchisor-franchisee relationship is regulated through standardised operating procedures and the quality of that regulation is important to the overall running of the franchise operation. In particular, standardisation is important as customers will experience variations in the quality of goods or services if the standardised system laid down by the franchisor is not adhered to. (Chiou & Droge, 2015). Chiou and Droge's (2015) study highlights the importance of trust, particularly the trust the franchisee has in the franchisor during the franchise expansion period. They find that

trust affects franchisee satisfaction and performance but also positively moderates the relationship between standardisation and sales and/or service quality.

Franchising provides mutual benefits so the quality of the relationship is very important to both parties. Because franchisees retain the residual profits their units generate they are motivated to succeed which, according to Dodds et al. (2014), means that monitoring costs are reduced. The literature suggests monitoring is a key role of the franchisor. This is because of the potential for *agency dilemma*, which emerges when the franchisor and franchisee's objectives are in conflict. Few longitudinal studies of franchising and franchisor-franchisee relationships have been conducted (Dodds et al., 2014) but there is evidence that this relationship deteriorates in quality over time (Grünhagen & Dorsch, 2003). Dodds et al.'s study (2014), which is longitudinal, suggests franchisors become more adept at managing this relationship deterioration as they become more experienced.

Lack of franchisor support is a problem commonly reported by franchisees (Morrison, 2000). In Morrison's study of 307 American franchisees, 25% were unhappy with their relationship with their franchisor. In contrast, in Knight's (1986) study 37% of franchisees reported problems with their franchisor. A further contrast is that the franchisors in Knight's study reported problems that were not relationship based (e.g., 44% reported shortage of suitable applicants and 36% reported difficulties locating suitable premises). This study did find, however, that most franchisors reported having greater problems with established franchisees rather than new ones, a finding reported elsewhere in the literature. This is probably because franchisees require more guidance and practical support in the early stages of their operation (Nathan, 2000). It seems as franchisees become established they increasingly feel their success is due to their own efforts and are more likely to question policies and procedures and deviate from these (Knight, 1986).

The franchisor plays a range of roles as part of the franchisor-franchisee relationship. Lim and Frazer (2004) list these roles as consultant, mentor, manager/employer and entrepreneur. In contrast, they propose the franchisee plays the role of client, protégé employee and SMR entrepreneur.

So who is the franchisor and how do we recognise them? The working definition for this study was: "Franchisor is the label given to the business owner after he or she has his/her first

franchisee.” When we look at the literature we find the definition of the franchisor attracts little attention. It seems the classification is considered unproblematic. Not only is the franchisor a business owner but also an entrepreneur. Kaufmann and Dant (1998) provide a valuable discussion that highlights how franchisors (and franchisees) satisfy definitions of an entrepreneur. The conclusion they come to is the franchisor does indeed meet the definition of an entrepreneur while the franchisee does not always do so. The table on the next page (Kaufman & Dant, Table 1., p.8, 1998) shows the definitions these authors use to conclude the franchisor is an entrepreneur.

Table 2: Definitions of Entrepreneurship and Their Applicability to the Franchising Context (Source: Kaufman & Dant, Table 1., p.8, 1998)

<b>REPRESENTATIVE DEFINITIONS OF ENTREPRENEURSHIP</b>	<b>APPLICATION TO FRANCHISORS</b>	<b>APPLICATION TO FRANCHISEES</b>
Entrepreneur is an individual who possesses qualities of risk-taking, leadership, motivation, and the ability to resolve crises (Liebenstein, 1968).	Yes	Yes
Entrepreneurs are leaders and major contributors to the process of creative destruction (Scumpeter, 1942).	Yes	No
Entrepreneur is an individual who undertakes uncertain investments and possesses an unusually low level of uncertainty aversion (Knight, 1921).	Yes	Yes
Entrepreneurship is the creation of new enterprises (Low and MacMillian, 1988).	Yes (concept)	Yes (market)
Entrepreneurship is the creation of new organisations (Gartner, 1985).	Yes (concept)	Yes (market)
Entrepreneurs introduce new combinations of the factor of production (land and labour) that, when combined with credit, breaks into the static equilibrium of the circular flow of the economic life and raises it to a new level (Schumpeter, 1934).	Yes	No
Entrepreneurship is the process of extracting profits from new unique and valuable combinations of resources in an uncertain and ambiguous environment (Amit, Glosten & Muller, 1993).	Yes	Yes (ambiguous environment)
Entrepreneur performs one or more of the following activities: (1) connects different markets, (2) meets/overcomes market deficiencies, (3) creates and manages time-binding implicit or explicit contractual arrangements and input-transforming organisational structures , and (4) supplies inputs/resources lacking in the marketplace (Leibenstein, 1968).	Yes (1,2,3,4)	Yes (2,4)
Entrepreneurship is the purposeful activity to initiate, maintain and develop a profit-orientated business (Cole, 1968).	Yes	Yes
Entrepreneurs perceive profit opportunities and initiate actions to fill currently unsatisfied needs or to do more efficiently what is already being done (Kirzner, 1985).	Yes	Yes
Entrepreneurs are residual claimants with operational control of the organisation (Shane & Cable, 1997).	Yes (system profits/shared control)	Yes (unit profits/shared control)

Kaufman and Dant (1998, p. 8) point out how the literature tends to treat the entrepreneur as having the most desirable attributes of a business-person. This probably accounts for why there is a large literature exploring the traits and psychological profiles of entrepreneurs. For example, Leibenstein (1968) studied entrepreneurs and characterised them as problem solvers, leaders and risk takers, while Knight describes entrepreneurs as willing to face uncertainty in numerous circumstances (Knight 1986). Buttner and Rosen's (1998) study not only agrees with Leibenstein (1968) and Knight (1986) but also highlights other characteristics including willingness to accept change, patience, limited need for support, lack of emotionalism, and non-conformity. The focus of the entrepreneurship literature in recent times, however, has been more on what they do rather than who they are. The literature, particular in the popular press, is full of celebrations of the hero (Anderson & Warren, 2011) and to a lesser extent heroine entrepreneur (Gupta, Turban, Wasti & Sikdar, 2009). Franchisors who fit into this category are Rodney Wayne (a successful thirty-year-old New Zealand hairdressing franchise), Jim Penman of Jim's Mowing (a New Zealand born lawn-mowing service), Robert Harris (founder of a well-known coffee shop of the same name) and Les Mills (founder of a New Zealand gym and a well-known Olympian). These New Zealand franchisors are now not only New Zealand famous, but also globally, giving franchisors increasingly celebrity-like statuses (Michael, 2014).

If we agree with Kaufman and Dant (1998) that franchisors share the characteristics of entrepreneurs, then understanding how entrepreneurs make sense of their start up experience is a helpful start when trying to understand franchisors' start-up perspective. The literature reveals there are only a few studies that discuss entrepreneurs' sensemaking about their start-up experience. This limited literature includes Hill and Levenhagen's (1995) conceptual paper which highlights metaphors as the mental models entrepreneurs use for sensemaking and Rassmussen et al.'s (2001) study that looks at those entrepreneurs who internationalise. Rassmussen et al. (2001) found that the start-up experiences of many of those who internationalise could be classified as "Born Global".

Narratively is at the heart of how people make sense of their experiences (Downing, 2005; Fisher, 1987; Weick, 1995), it is not surprising then that many of the sensemaking studies about start-up and entrepreneurial behaviour (e.g., Bjursell & Melin, 2011; Down & Warren, 2008; Hamilton, 2014; Larty & Hamilton, 2011) examine narratives. For example, O'Connor's (2002) study

showed how an entrepreneur had a range of narratives that he used to make sense of his start-up. This entrepreneur basically told a different story according to the audience he was addressing. Similarly, Rae's (2000, 2002, 2004 a and b, 2005) studies of entrepreneurial learning employ a narrative approach.

Mills and Pawson's (2012) study of narratives of entrepreneurs in the ICT sector revealed they use a range of different narratives, distinguished by a particular presentation of self (i.e., hero-ine, adventurer, talented person, and cautious traveller). The centrality of such self-characterisation in start-up narratives suggests identity is a key dimension in how nascent entrepreneurs narrate and make sense of their business development process (Johansson, 2004). Mills' (2011a, b) subsequent studies of start-up in the fashion using a sensemaking approach suggest that nascent entrepreneurs monitor their experience against "who they are" and how their venture fits with that self-characterisation. To expand, Mills' (2011a) study proposes a model of 'enterprise orientations' to capture how new business founders in the fashion design sector navigate the tension between creative design and business practice. The designers in her study were, to varying degrees, preoccupied with a perceived tension between creative processes and business practices. This tension was typically experienced as a disjunction between self-identity and the identities supported by the business models the designers worked within. The notion of self-identity is explored later in this doctoral literature review.

Next, the franchising in the global franchise environment is discussed in relation to the New Zealand franchise situation.

### *Franchises Today*

Today, franchising is the fastest growing form of business in the world (Dant, Perrigot, & Cliquet, 2008; Chabowski et al., 2011). In the USA alone, franchising grew by over 3,000 franchises in 2010 (Franchise Facts, 2011). This growth took the number of franchises in the USA at that time to over 900,000. These employed just over 18 million people, generating an economic output for the year of approximately \$2.1 trillion, and equated to nearly half of the retailing sector (Dant et al., 2011; Michael, 2014).

The New Zealand franchising system differs from the United States in two important respects. Firstly, New Zealand has a larger penetration of franchise systems per capita, although due to a

limited population base; franchises are typically smaller networks and are restricted in growth (Flint-Hartle & Weaven, 2012). Secondly, New Zealand franchisors opt first to recruit single unit franchisee operators before gradually accepting multiple unit franchisees (Owen & Anthony, 2011). Franchising only primarily became established in New Zealand during the 1990s (Owen & Anthony, 2011). Prior to that, although there were several of the major overseas franchises and some locally developed ones operating, franchising was not seen as a viable method of expansion (Owen & Anthony, 2011). However, today the New Zealand franchising market is making a significant contribution to the local economy. It is estimated that franchised businesses contribute between \$19.4 billion and \$21 billion to the New Zealand economy (Flint-Hartle & Weaven, 2012).

According to the *New Zealand Franchising Report* (Flint-Hartle & Weaven, 2010), New Zealand not only has more franchises per capita than anywhere else in the world, but despite the recent recession, the total number of franchised units increased by 5.3% from 2009 to 2010 (Flint-Hartle & Weaven, 2010). The *New Zealand Franchising Report* (Flint-Hartle & Weaven, 2012) highlighted recent prosperity, reporting that New Zealand franchises have continued to grow at a rate of 5% over the past 2 years, and the number of franchise units has almost doubled since 2003; this includes a mix of overseas- and locally-owned franchises, developed franchises, and new franchise opportunities (Flint-Hartle & Weaven, 2012). In 2012, there were an estimated 19,300 franchised businesses and 3,100 company-owned units in New Zealand. According to the New Zealand Franchising Report (Flint-Hartle & Weaven, 2012), 88% of franchise units are New Zealand born enterprises with most business format franchisors operating in service industries, followed closely by retail sector franchises.

### *The Significance of Franchising for the Franchisor*

Globally, franchising has become a popular mode for business growth and development (Solis-Rodriguez & Gonzalez-Diaz, 2012; Michael, 2014). Franchising has been observed as the fastest growing form of retailing in the world and has a significant impact on the exporting market in the global environment (Dant, Perrigot, & Cliquet, 2008; Stanworth et al., 2004). Franchises can spread faster, nationally, than non-franchised businesses and contribute significantly to employment creation, economic output, and they provide multiple self-employment opportunities (Stanworth et al., 2004; Michael, 2014). Franchising also offers opportunities for business growth

for the franchisor and creates small business prospects for potential franchisees (Stanworth et al., 2004).

Developed countries use the franchise model to satisfy wealthy, time-pressured consumers' increasing demands for specialised products and services (Chabowski et al., 2011; Michael, 2014). In emerging economies, franchising can significantly contribute to a nation's economic base and offers a method of denationalisation (Dant et al., 2011). Therefore, with growing recognition and scope, franchising has become an economically significant topic, attracting many scholars and business operators from across a broad range of sectors.

### *Franchising as a Growth Strategy for Business Owners*

Multiple factors motivate business owners to choose a franchise model as a mode for business expansion. From the franchisors' perspective, franchising can overcome growth challenges that the conventional firm faces, such as opportunism (Gillis, McEwan, Crook, & Michael, 2011), resource constraints (Dant et al., 2011; Gillis, Combs, & Ketchen, 2014), and managerial constraints (Penrose, 1969).

Agency theory has been used for many years to explain why franchising alleviates two key problems business owners face, namely adverse selection and moral hazard (Gillis, McEwan, Crook, & Michael, 2011; Gillis et al., 2014). Adverse selection is the challenge of obtaining motivated employed managers due to the tendency to exaggerate their abilities, which they are unable to fulfil (Gonzalez-Diaz & Solis-Rodriguez, 2011; Gillis et al., 2014). Moral hazard is where managers will “shirk” by slacking off in their work, which can be challenging to monitor (Gonzalez-Diaz & Solis-Rodriguez, 2011; Gillis et al., 2014). Moral hazard is closely linked to opportunism, which is the practice of taking advantage of opportunities or circumstances, often with little regard for principles or the consequences (Gillis et al., 2011). Franchising reduces the problems suggested by agency theory through providing appropriate incentives (Watson, 2008). Because franchisees pay fees to the franchisor and essentially own the rights to operate the business system, this encourages franchisors to increase the level of supervision and other cost-reducing and demand-creating activities (Dada, Watson, & Kirby, 2012; Michael, 2014). As a result of franchisees' vested interest in the business, they can be more motivated and dedicated than conventional managers, therefore reducing franchisors' monitoring costs and ultimately relaxing growth constraints (Gillis et al., 2011; Gillis, Combs, & Ketchen, 2014).



Franchising can also alleviate resource scarcity by delivering three critical resources that are essential to realise growth: financial capital, market knowledge, and human capital (Dant, 1995; Gillis, Combs, & Ketchen, 2014). Using franchising as a means for business expansion reduces financial constraints because the franchisee contributes a significant proportion of the capital necessary to expand, thus minimising the franchisor's investment requirements (Solis Rodriguez & Gonzalez Diaz, 2012). Franchisees not only bring financial resources, but human capital, contributing a wealth of knowledge about geographic locations and labour conditions (Stanworth et al., 2004; Michael, 2014). In addition, franchisees can contribute essential market knowledge to a firm's resource bundle, accelerating the speed at which a firm can grow (Stanworth et al., 2004).

Conventional businesses' growth and expansion is constrained by the speed at which they can increase their managerial capacity and the level of monitoring required (Penrose, 1969). However, research has shown that franchising can reduce monitoring costs because franchisees have invested their own capital and time to develop their outlet, and they essentially have higher incentives to maximise profits, thus indirectly enriching the chain (Watson, 2008).

The New Zealand Franchising Report (Flint-Hartle & Weaven, 2012) surveyed reasons why organisations in New Zealand chose a franchise model as a means of expansion. The most prominent reason respondents (45%) chose franchising was because they believed franchisees were highly motivated business managers (Flint-Hartle & Weaven, 2010). The second most prominent reason respondents (20%) pursued franchising was to obtain rapid market penetration. Franchisors chose franchising over company ownership of outlets as a means of stimulating system performance and growth. Other less prominent reasons for choosing the franchising model given by respondents included investment opportunities (10%), imitating the success of other franchisors (8%), and using franchisee capital resources to build the network (6%) (Flint-Hartle & Weaven, 2010). It is hardly surprising, given these benefits, that many firms employ franchising as a mode for growth, rather than employing alternative conventional methods (Dant, 1995).

#### *Necessary Conditions for Nascent Franchisors*

Some researchers suggested that there are specific conditions necessary for successful franchising (Watson, 2008; Floyd & Fenwick, 1998). Effective business expansion relies on management of growth and appropriate planning. For business owners wishing to expand, they must effectively

plan and manage new locations, establishing effective communications between the head office and the new sites (Barringer & Greening, 1998). In addition, the selection and recruitment of appropriate staff must be carried out to preserve a successful system (Barringer & Greening, 1998; Watson, 2008). However, for business owners wishing to grow through franchising, further challenges await them (Watson, 2008). The planning process for new franchisors can be complex due to the need for the franchisor to plan and manage two businesses, namely the original conventional business operation and the franchise format (Stanworth et al., 2001). Significant responsibility lies with the franchisor to ensure that all roles, routines, and procedures are replicable and that full support is available to effectively help new franchisees (Mendelson, 2004). Consequently, the franchise start-up stage has been named as the most important of all stages to ensure the success of the franchising system (Floyd & Fenwick, 1998; Stanworth et al., 2004; Watson, 2008).

Floyd and Fenwick (1998) produced a franchise growth and development life-cycle model that considered the life span of a franchise from conception (i.e., the business owner deciding to franchise) through the various stages until franchise adulthood. According to Floyd and Fenwick (1998), the first stage is the hatchling stage, when the individual, founder, entrepreneur, or partnership refines an idea for a product or service and sets up the business. A business choosing to franchise will proceed to the nestling stage where the primary function is to establish and refine the franchise format. In this stage, the primary focus of the business should be on developing a solid franchise infrastructure to attract franchisees and ultimately generate returns that are satisfactory to both franchisee and franchisor (Floyd & Fenwick, 1998; Stanworth et al., 2004; Watson, 2008). According to Shane and Spell (1998), if the new franchisor does not get the system model right initially, the franchising system is not likely to become successful over time. In essence, the first few years “provide a test of sustainability and validation of concept” (Wadsworth & Cox, 2011, p.46).

Establishing a solid franchise framework involves ensuring all the groundwork has been done, including producing all documentation, setting up an effective management team, and testing and refining the franchise format (Floyd & Fenwick, 1998). To ensure success, franchisors are required to be competent in most aspects of the business and to understand operational, functional, and managerial aspects, yet gradually minimise direct involvement with the franchisee’s firm (Floyd

& Fenwick, 1998). In Floyd and Fenwick's study, the start-up stage of franchising began with the franchisor deciding to franchise, and included all activities, such as establishing the franchise formula, recruiting participants, signing the franchise contract, and other associated actions occurring until the first franchisee started trading. At this point, the franchise merged from the start-up stage into the fledging stage where the business "embarks on the path to independent survival" (Floyd & Fenwick, 1998, p.37).

It has been said that the development of a business from a proven concept through to the sale of its first franchise is typically a long, expensive, and risky process for the franchisor (Watson, 2008). Even excluding the costs of direct management involvement, "the franchisor bears sizeable 'upfront' costs for developing a programme before it can be marketed to franchisees" (Shane, 1998, p. 18). This entire process can place intense strain on business owners and can impact on the ability to see a franchise endeavour to fruition (Watson, 2008). Despite the high rate of franchise failure, it has been argued that franchising is still a safer than conventional business activity (Stanworth et al., 2004). As mentioned previously, this is because franchising enables a firm to grow with less capital, and it provides a packaged business formula with proven success for at least the first outlet. Because of the prevalence of franchising and its failure rate, it is important to understand what makes some franchises more successful over others.

#### *Fragility of Franchisors' First Few Years*

Establishing a franchise is by no means low risk, with studies revealing that "franchise firms often close down after several years in operation" (Bates, 1998, p.114), that "fewer than one in four new franchise systems survives until the end of the contract" (Shane & Spell, 1998, p.43), that there is a "high death rate of new franchise systems" (Stanworth, 2004, p.541), and that "over three quarters of franchise systems fail within the first ten years" (Holmberg & Morgan, 2003, p. 29). Flint-Hartle and de Bruin (2011) confirm these findings, pointing out that although franchise failure rates are comparable to the conventional small business, franchising is significantly more risky for the first 4–5 years of the business's life (Floyd & Fenwick, 1998). A substantial percentage of new firms commencing franchising fail, while many others choose to cease franchising within the initial few years (Holmberg & Morgan, 2003). According to Lafontaine and Shaw (1998):

...from the franchisors viewpoint, the high rate of exits suggest that many firms fail despite franchising and many others choose to stop franchising after trying it for a few years. Clearly these franchisors have found that franchising is not right for them. (p.5)

Scholars go so far as to warn prospective franchisees of the risks of new systems. Shane (1996) concluded, “potential franchisees should be very wary of buying into systems that have not reached their fourth anniversary” (p.1). This is an alarming reality many new franchisors face and one that deserves to be studied. Consequently, researchers of franchising have been striving for decades to uncover the primary determinants of failed franchises (Larty, 2010). The challenges franchisors face in readily obtaining appropriate advice (Stanworth et al., 1997) have been identified as one contributing factor. Other quantitative studies have also revealed that a lack of appropriate groundwork in the initial stages of development impacts on the success of a franchise start-up (Holmberg & Morgan, 2003). Other quantifiable factors that contribute to failure have included an inappropriate franchisee-franchisor match (Weaven, Grace, & Manning, 2009), the experience of the franchisor (Shane, et al., 2006), the time span before initiating franchising (Stanworth et al., 2004), the lack of capital (Stanworth et al., 1997), and the ability of the franchisor to create and transfer knowledge during the initial years of franchising (Mu, Peng, & Love, 2008).

Castrogiovanni et al.’s (1993) study rejected their hypothesis that age and size of the franchise system impacted on franchise success, yet conversely, Shane and Spell (1996) found these were positively related to franchise failure. Despite the conflicting evidence, researchers (Shane & Spell, 1996; Castrogiovanni et al., 1993) agree that if a new franchisor does not ensure the system model is right initially, it is unlikely to become successful over time.

To unravel further empirical evidence of contrasts between successful and terminated franchisors, I delved deeper into research that explored factors contributing to the outcome for many franchisors. I discovered that the largest proportion of studies in the franchising literature, particularly those addressing reasons for failure and success, are quantitative studies (e.g., LaFontaine, 1998; Shane, Shankar, & Aravindakshan, 2006; Rondan-Cataluna, Navarro-Garcia, Diez-De Castro, & Rodriguez-Rad, 2012, Wadsworth & Cox, 2011). Confirming this, a recent review of peer reviewed empirical journal articles related to franchise failure (Nijmeijer, Fabbriotti & Huijsman, 2014) found 101 of 126 articles examined were quantitative studies.

While such research provides valuable insights into the impact of factors, such as behaviour of the franchisor and the franchisee and their interactions, ownership structure, contract design, business format design, and the age and size of the system and its units (Nijmeijer, Fabbriotti, & Huijsman, 2014), the quantitative nature of the research has meant that deeper issues, such as relationship management, franchisor skills, and motivations have been overlooked (Watson, 2008). This is despite evidence suggesting that these underlying factors play a considerable role in determining the end result of establishing a franchise operation (Stanworth, 2001). Few studies were located that address the cognitive factors that influence the outcome of establishing a franchise operation. This lack of qualitative research on the lived experiences of nascent franchisors is particularly surprising given that (1) the franchisors' thought processes and sensemaking are inextricably involved in decision-making and ultimately shape the outcome of the franchising and (2) the confirmed high failure rate of franchises.

Giving us a rare insight, in a relatively recent qualitative study comparing successful and failed franchises, Watson (2008) discovered that all firms that successfully expanded through franchising did so as a result of rigorous planning in the early stages of the franchise system. Watson (2008) also discovered that the key to success was a sound understanding and knowledge of the franchise concept in the initial stages of franchise development. It seems, potential franchisors need to be aware that previous business knowledge does not equate to the skills required in setting up and developing a successful franchise system (Holmberg & Morgan, 2003); sound professional advice is vital in the early stages of development (Watson, 2008). Stanworth et al. (2004) also conducted a study investigating multiple franchise firms that confirmed the importance of a solid infrastructure and an increased chance of failure without this. An exploratory study (Larty, 2001) interviewed 17 ceased franchisors and concluded that there were two key factors to franchise discontinuation. Larty (2001) suggested that these were human capital factors (personality, shirking, disputes, motivation, and industry experience) and economic factors. However, the interviews she conducted did not closely examine the first few years of franchising, despite this stage being arguably the most critical to a franchise system's success. Generally, it seems sound advice, a solid framework, and planning are imperative to overcoming start-up challenges and ensuring the survival and longevity of a franchise system.

Overall, this literature suggests the decision to transition from a conventional business to a franchise business involves a strategic process consisting of ongoing strategic decisions, planning and practice. It seems, if done right, this strategic process can play an integral part in a franchise operation's longevity. However, the literature is strangely silent about what is entailed in this strategic process and the sense the business owner makes of this process.

### Strategy

Strategy has been studied in various disciplines, resulting in diverse and sometimes conflicting perspectives across the decades (Ronda-Pupo & Guerras-Martin, 2012; Whittington, 2011). Most commonly, strategy has been defined as a plan chosen to bring about a desired future, such as the achievement of a goal or solution to a problem (Floyd et al., 2011; Porter, 1996; Balogun, Jacobs, Jarzabkowski, Mantere & Vaara, 2014). Having emerged in the 1960s, this definition of strategy concentrates on methods and techniques to assist managers making decisions regarding corporate direction (Whittington, 1996). Key analytical tools associated with this approach to strategy include industry structure analysis, the portfolio matrices, and the notion of core competence (Whittington, 1996). From the 1970s onwards, policy scholars have focused on a new direction, analysing the organisational advantages to pursuing different strategic directions. According to Floyd et al. (2011), the classic policy option considered has been the diversification strategy; however recently, much work has also been done on innovation, joint ventures, acquisitions, and internationalisation. Since the 1980s, process scholars have been investigating how corporations first recognise the need for strategic change and what steps are taken to achieve it (Floyd et al., 2011; Whittington, 1996). The strategy discipline's growing attention to activity culminated in what is being termed "the practice turn" in current social scholarship (Ronda-Pupo & Guerras-Martin, 2012; Styhre, 2003; Jarzabkowski, & Kaplan 2015) has led to a focus on practice and how strategy emerges through practice. In this study, the traditional strategy concept will be defined as *strategic intent*, with the doing of strategy being defined as *strategy practice*.

### Strategic Planning

Organisations operate within a framework guided by their strategic objectives (Hamel & Prahalad, 2005). These strategic objectives or strategic intentions have been explained as the purposes the organisation strives for (Døving & Gooderham, 2008) or the planned direction and destiny to be pursued by the company (Hamel & Prahalad, 2005). Hamel and Prahalad claim that strategic

planning is also a consistent ambition to set targets that imply “a sizable stretch for an organisation” (Hamel & Prahalad, 2005, p. 67).

Strategic planning in conventional business start-up comprises the vision, mission, business definition, and business model, as well as the goals and objectives (Chwolka & Raith, 2012; Spee & Jarzabkowski, 2011). During franchise start-up, strategic intent can be explained as formulating the groundwork including all planning, producing documentation, establishing the franchise system, and establishing its objectives (Floyd & Fenwick, 1998; Watson, 2008). Seen this way, strategic planning essentially forms the infrastructure of the franchise and its long-term objectives.

Initial strategies are immensely important as they often influence the strategic path for many subsequent years (Nicholls-Nixon, 2000). This perspective implies that in order to understand venture success, it may be important to know such things as the comprehensiveness of the initial planning, the vision for the business, and the degree of extensive groundwork undertaken (Nicholls-Nixon, 2000). Regarding conventional firms, strategic planning scholars found the level of detail of planning to be positively related to initial success among high-potential firms (Maidique, 1986), while others found adhering to a program planning model was associated with higher success for new firms (Van de Ven, 1984). Concerning franchises, detailed and thorough planning has also been accredited to the success and longevity of franchise systems (Watson, 2008).

### *Strategy as Practice*

Traditionally, the strategy discipline has treated strategy as a possession of organisations—as something an organisation has rather than does (Jarzabkowski, 2004; Ronda-Pupo & GuerrasMartin, 2012; Whittington, 2011). This perspective has heralded a new direction in strategic thinking regards strategy as practice (Hambrick, 2004; Jarzabkowski, 2004; Ketchen, Boyd, Brian, & Bergh, 2008; Seidl & Whittington, 2014). Strategy as practice (SP) is concerned with the activities involved in how strategy comes about and the process of strategizing (Whittington, 2011; Bromiley & Rau, 2014).

According to Whittington’s (2006) explanation, there are inspirational aspects of practicing strategy, for example: obtaining ideas, recognising opportunities, and grasping situations. However, he goes on to point out that there is also the “perspiration” (Whittington, 1996, p. 732),

or the routines including budgeting and planning throughout the year, attending strategy committees, formulating documents, and creating presentations. Jarzabkowski (2004) suggests that these routines and tools are the substance of strategy, without which strategy work could barely occur (Jarzabkowski & Kaplan, 2015). If we accept this view then practice accompanies all the work of strategizing—the meetings, conversations, administration, and paperwork by which strategy actually gets formulated and implemented. To elaborate, three themes of practice theory that have emerged from this perspective (Bromiley & Rau, 2014; Whittington, 2011; Seidl & Whittington, 2014). These are explained further in the next section.

### *Strategy Praxis and Practitioners*

Strategy practice refers to shared routines of behaviour, including norms, traditions, and procedures for deliberating and acting (Ketchen et al., 2008; Ronda-Pupo & Guerras-Martin, 2012; Whittington, 2006; Seidl & Whittington, 2014; Bromiley & Rau, 2014). By contrast, *praxis* refers to actual activity or the execution of strategy-making, for instance, planning and decision-making, done either formally or informally (Samra-Fredericks, 2003; Whittington, 2006, 2011). In this sense, strategy praxis is the intraorganisational work required for both making strategy and fulfilling it. Practitioners are strategy's actors, the strategists who both implement this activity and execute its practices (Ronda-Pupo & Guerras-Martin, 2012). Therefore, what these practitioners actually do is strategy praxis—all the various activities concerned with the deliberate formulation and execution of strategy (Ketchen et al., 2008; Ronda-Pupo & Guerras-Martin, 2012; Bromiley & Rau, 2014). Strategy practice, however, varies with different practitioners in an organisation. The roles of corporate executives, subordinate general managers, planning staff, and strategy consultants all vary in implementing the strategy. Each has a distinct combination of activities, including mediating, advocating, analysing, and advising, all requiring different practical competencies (Jarzabkowski, & Kaplan 2015).

Whittington (2006) asserts that it is unnecessary to combine the three key features (praxis, practices, and practitioners) of practice-orientated studies simultaneously. Whittington (2006) references Giddens (1979), who openly advocates for “methodological bracketing” of one or more components of strategy practice. Nevertheless, practice theory assumes “interconnectedness and provides a vehicle for understanding this” (Whittington, 2006, p. 620). Whittington proposed a helpful framework that links together various subsections of the three key features according to



the particular task undertaken, while at the same time “acknowledging their ultimate membership of an integrated whole” (Whittington, 2006, p. 620). The alliteration of the three elements is intended to reinforce the sense of mutual connection. In short, the practice perspective comprises all the effortful and consequential activities involved in strategy work.

### *Doing Strategy in New Businesses and Franchise Start-up*

Strategy in action during business start-up involves carrying out the firm’s strategic intentions and its establishment objectives (Reid & Smith, 2000). Nicholls-Nixon (2000) suggests that part of implementing strategy in new ventures involves a degree of experimentation, while others propose it involves organisational learning (Oswald, Allan, & Richard, 2010; Rae, 2004a). Nicholls-Nixon (2000) suggests that despite meticulous preparation of a business plan, the actual formation and development of new ventures commonly involves significant adjustment to and/or deviation from that plan. This is due to increased understanding, knowledge, and learning accumulated throughout the process of new business development, resulting in iterative changes in the way the entrepreneur positions his or her firm (Oswald et al., 2010; Reid & Smith, 2000).

Iterative changes to strategy are necessary as business managers rationalise changing competitive environments, industry and business suitability, and learning from both experience and experimentation (Nicholls-Nixon, 2000). There are multiple factors, including prior knowledge of markets, ability to address customer needs (Shane, Shankar, & Aravindakshan, 2006), and human capital, that provide the resources necessary to implement and adapt appropriate strategies needed to enhance firm performance. Therefore, it seems strategy is never executed in isolation; its emergent nature allows the actor to reflect on implementing strategy and make subsequent changes or rationalise adhering to it.

Franchise start-up or business expansion mirrors new venture creation in that it also involves a degree of planning, decision-making, and implementation. For every business owner, merging from business founder to franchisor and transitioning from a conventional business to a franchised venture is a substantial step and one that requires careful thought, preparation, and action. In essence, franchisors develop a strategic plan for growth, establish the franchise formula, and then seek to implement the new system. Exactly how this is done, and what is involved, is a very muddy area with the literature offering minimal clues.

According to Reid and Smith (2000), there is scant literature exploring strategy as practice during new venture start-up, yet even more absent is any literature on strategy practice within franchising (Larty, 2010). However, a notable exception is Shane, Shankar, and Aravindakshan (2006), who acknowledged that franchise organisations change as they develop. These scholars (2006) examined how strategic variables within a franchise system change and evolve over a period of growth. Their study revealed that as franchisors grow larger, they lower their royalty rates as systems change, increase their fees over time and lower the proportion of owned outlets.

Because strategy practice during start-up often deviates from strategic intent (Nicholls-Nixon, 2000; Oswald et al., 2010; Reid & Smith, 2000), I use the term *strategic evolutionary cycle* and propose this deviation happens in an iterative way and can affect business development sustainability (Jeremiah, 2012). This iterative process is essentially a form of reflective practice and its performance underlines the importance of understanding the cognitive processes (sensemaking) employed by franchisors as they develop their strategic intent and then put this into practice during start-up.

### *Making Sense of Franchising Strategy*

This study is designed to understand how business owners experience moving from a conventional business model to a franchising model. Transitioning from business owner to franchisor for the first time is an uncertain period of business development. Sensemaking (the ongoing process by which meaning is made) is a response to ambiguity and uncertainty, therefore understanding franchisors' sensemaking is an integral part of this transition.

### *Sensemaking*

Karl E. Weick (1969, 1995; Weick & Sutcliffe, 2001; Sandberg & Tsoukas, 2015) proposed sensemaking as the central process in organising. Weick (2005) defined sensemaking as “the ongoing retrospective development of plausible images that rationalize what people are doing” (p. 409). Weick's work predominantly featured public sector organisations rather than commercial organisations (Weick, 2006, p. 1733). Two renowned examples of his approach are studies of the flight deck of an aircraft carrier (Weick & Roberts, 1993) and the Mann Gulch firefighting tragedy (Weick, 1993). In these case studies he explored complex situations to reveal how sense is made out of complex and sometimes conflicting information. He proposed that the rudimentary idea of sensemaking is that people's sense of reality is an ongoing achievement, emerging from attempts

to create order and make retrospective sense of what is occurring using cues bracketed off from the stream of experience (Weick, 1995, p. 133).

Although there is not a single definition of sensemaking (Brown, Colville & Pye, 2014), sensemaking has been commonly described as making experience ‘sensible’ through the enlargement of small cues and a search for contexts within which small details fit together (Weick, 1995; Sandberg & Tsoukas, 2015). It is a continuous interchange between particulars and explanations with each cycle giving added form and substance to the other (Weick, 1995, p. 133) so that experience can become meaningful. Consequently, there is a strong reflexive quality to this process: individuals make sense of experience retrospectively in a way that incorporates and refines previous reflections. This ongoing construction of meaning, in part, is exposed by Weick’s emphasis on giving process statements about something or someone instead of using the term *is* (Weick, 2007) and by Gioia’s emphasis on gerunds (a noun converted to a verb by adding *-ing*) over nouns (Gioia, 2006).

Describing Weick’s perspective, Dervin says: “There is no such thing as organisation. There is only organizing” (Dervin, 2003, p. 116). The argument in both cases is to advance from viewing reality as an assemblage of stagnant, fixed entities or nouns to perceiving reality as shifting entities. “It is about the ‘process of becoming’ rather than the ‘states of being’” (Gioia, 2006, p. 1711). Gioia also explains:

Now when you think in terms of verbs and gerunds, it changes the way you talk about and understand phenomena. [...] The conversation changes when you emphasize verbs and gerunds. And that’s one of the main reasons why, when you take a ‘Weickian’ view, you cannot help but see things differently (Gioia, 2006, p. 1711).

In summary, this discussion referred to sensemaking as a creative, sharing, cyclic process where individuals interact collaboratively and continually make their environment meaningful. Weick presented seven fundamental distinguishing characteristics of sensemaking: identity, retrospect, sociality, enactment, ongoing, extracted cues, and plausibility. These properties are summarised and explained in Table 3 next.

Table 3: Summary and Explanation of Weick's Seven Sensemaking Properties (1995)

Identity	Sensemaking is grounded on the impressions that people have of themselves and their organisations.
Retrospect	People tend to first act and then reflect on what they have done. This way, they explore their preferences, principles, values, and beliefs.
Sociality	Sensemaking always happens in a social context and via people's interactions.
Enactment	Depending on the situation, the sensemaker behaves as they deem true. They can influence the environment and be influenced by it simultaneously.
Ongoing	The process of sensemaking never stops.
Extracted Cues	The events that people notice act as triggers for the sensemaking process.
Plausibility	People seek the first plausible reason that resolves their internal conflict, although it may not necessarily be the most accurate one.

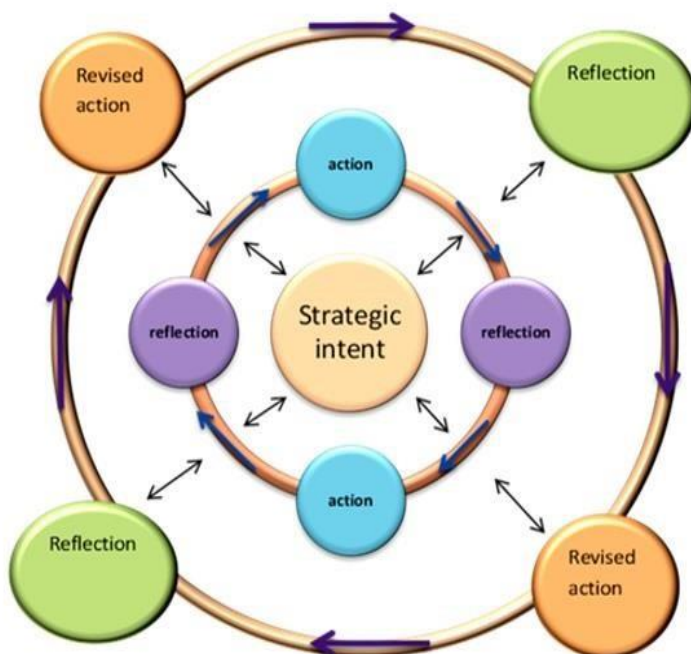
### Strategy Practice and Sensemaking

Any form of deliberate action, such as implementing a start-up strategy, requires cognitive action (Mills, 2011a). Business managers frequently act and then reflect on action, modify their subsequent action, evaluate this new action and refine their strategy, which informs their next actions, and so continues the cycle. This form of cognitive action is called sensemaking (Weick, 1995) and explains how individuals modify their strategy in practice (Mills & Pawson, 2006). Weick (1993, 1995) proposes that when people make sense they engage in an ongoing cycle of creating direction, acting upon this direction, and then making retrospective sense of their experience of taking action (Weick, 1993, 1995). In essence, sensemaking is the process by which people give meaning to experience, influencing subsequent actions (Balogun & Johnson, 2005; Mills, 2011a; Mills & Pawson, 2006; Weick, 1995). When we study sensemaking, we expose the rationale behind planned action, implementation, and the process of comparing experience with existing schemas, and then we expose the rationale behind the refinement or abandonment of the plan that subsequently occurs. This iterative cycle that defines sensemaking is at the heart of strategy in action and so is an important concept to grasp when investigating how owner/managers proceed in franchising their businesses. It is necessary to understand why and how managers decide

to change or follow their strategy, why and what aspects are accepted or ignored, and how their rationale plays a role in subsequent decisions (Balogun & Johnson, 2005; Mills & Pawson, 2006). Taking a sensemaking approach allows us to do this.

Strategy practice, in many ways, is emergent in nature, it digresses and develops from strategic intent through a cyclic process that involves variables such as learning, reflection, knowledge, and other internal and external variables. This continuous evolutionary cycle of a franchisor's rationale and associated actions can un-cover fears, learning processes, perceived new opportunities, alternative motives behind certain behaviours, observations of strategic oversights, and social networks or professional advice that persuade new behaviour or adherence to the original plan (Balogun & Johnson, 2005; Laskowski, 2012; Lotte & Marianne, 2008; Thomas, Clark, & Gioia, 1993). Figure 2 illustrates the strategic evolutionary cycle.

Figure 2: The Strategic Evolutional Cycle



The cyclic and reflexive process of implementing strategy mirrors, in many ways, the experiential learning cycle proposed by Kolb, a famous learning theorist. This cycle of learning from experience described in experiential learning theory (Kolb, 1984) can help learners increase their learning power through consciously following a recursive cycle of experiencing, reflecting, thinking, and acting. This learning process is yet another example of how action and reflection come together in strategy practice and impact on subsequent actions and reflection. This concept of learning and reflection has been explored in entrepreneurial learning (Rae, 2004a), learning in owner-managed SMEs (Oswald et al., 2010), and learning in franchising (Sorenson & Sørensen, 2001). Although Kolb does not directly refer to the term *sensemaking*, by highlighting the cognitive processing while acting, this theory in many ways confirms the points being made here, that actions are never performed without a degree of reflection having some overall effect on subsequent actions.

Research on sensemaking, by definition, involves reflexivity (Balogun & Johnson, 2005; Barr, 1998; Brown & Humphreys, 2003; Gioia, Thomas, Clark, & Chittipeddi, 1994; Labianca, Gray, & Brass, 2000; Mills & Pawson, 2006). This research also continuously reiterates that sensemakers' interpretations of changed plans, and how these interpretations are mediated by their existing ways of thinking, context of action, and interactions with others, play a significant role on the success of strategy praxis.

Sensemaking is a relatively new research focus in entrepreneurial studies. Recent studies have addressed entrepreneurial learning (Rae, 2000, 2004a, 2004b, 2005, 2006), while less recent studies have addressed the mental models entrepreneurs use for sensemaking and sensegiving (Hill & Levenhagen, 1995). Others have studied how metaphor and myth in a British tabloid newspaper are used to make sense of the entrepreneur (Nicholson & Anderson, 2005).

Mills and Pawson (2006, 2012) and Mills (2011a) studied start-up in fashion retail, in IT, and in the designer fashion industries in New Zealand and explored how nascent entrepreneurs made sense of their business start-up experiences. Strategy and sensemaking studies are more scarce, although recently, limited research has explored sensemaking and its impact on strategic change (Laskowski, 2012), strategic sensemaking and organisational performance (Thomas et al., 1993), and sensemaking and middle managers' implementing strategies (Balogun & Johnson, 2004,

2005). These few studies empirically champion sensemaking as particularly appropriate for exploring strategic practice, as only perceived factors enter into decision-making and influence subsequent actions (Balogun & Johnson, 2004, 2005; Laskowski, 2012; Thomas et al., 1993). This apparent paucity of sensemaking in entrepreneurial literature is particularly surprising, given the concurrent nature of sensemaking and organisational behaviour (Weick, 1995, 2001, 2012).

Although there has been substantial research undertaken on change and sensemaking (e.g., Laskowski 2012; Thurlow & Mills, 2009; Gioia & Chittipeddi, 1991, 1994; Weber & Manning 2001; Balogun & Johnston 2004, 2005), to date, the intersection of strategy practice and sensemaking has been largely overlooked throughout the management and entrepreneurial literature (Laskowski, 2012). In particular, strategy practice literature does not focus on the reflexive nature of sensemaking and how it is intimately involved in all deliberate meaningful practice. Sensemaking brings in crucial retrospective and iterative dimensions because individuals' experiences are a consequence of not only their practices, but the sense that is made of those practices, and how this sense provides the basis for further practice (Weick, 1993, p. 644– 646; Weick, Sutcliffe, & Obstfeld, 2005, p. 409). As noted earlier, sensemaking is, by definition, a retrospective and reflective process described as cycles of action and reflection (Weick, 1993). Since most strategy definitions in general overlook this important point, I created a working definition of strategy practice. For the proposed study, strategy practice will be defined as: a deliberate ongoing process involving recursive cycles of sensemaking and action directed towards the achievement of strategic objectives. This new perspective, by incorporating sensemaking, extends the notion of strategy practice into the psychosocial realm and paves the way for a more holistic view of strategy. What is more, understanding how an actor makes sense of themselves and “who they are” in relation to any (strategic) changes is key to understanding how they make sense of the strategic practice (Weick, 1995).

### Identity and Developing a Franchise Operation

Identity is an expansive, multifaceted, and contested topic (Brown, 2015; Jenkins, 1996; Leitch & Harrison, 2016) that has created a literature that spans many disciplines, including psychology, sociology, philosophy, anthropology, organisational studies, management and, more recently, entrepreneurship. In general terms, it refers to an individual or group's sense of being something in particular (Schwartz, 2005, P. 294). For example, entrepreneurial identities are mental

interpretations and behavioural norms that allow individuals to appreciate what it means to be an entrepreneur (Hoang & Gimeno, 2010; Murnieks et al., 2014). Traditionally, identity was positioned as a trait associated only with a single entity (e.g., either an individual or social group) (Mills & Pawson, 2012) with the notion of multiple identities being accepted as a consequence of an individual's multiple social memberships (e.g., gender, family, and occupation). This trait-based conception was the precursor of other identity classifications including societal identity, gender identity, occupational identity, entrepreneurial identity, and self-identity (Mills & Pawson, 2012). It is necessary to distinguish between social identities, which refer to group memberships (Obschonka et al., 2015) (e.g., entrepreneurship researchers identifying with others in the same area of research) and self-identities which refer to social roles (e.g., identification as an entrepreneur). According to Stryker (1987), self-identity presents the salient part of an individual's self as it relates to a particular behavior or role.

In recent times, identity has come to be perceived as a shared achievement, something that emerges in the interaction between individuals, culture, and society (Down & Warren, 2008; Leitch & Harrison, 2016; Watson, 2009) and so the distinction between self and social has become blurred. Alvesson (2010) observes that traditionally scholarship in Western societies has distinguished a 'unitary, coherent and autonomous' human identity from collective or social structures, but that in more contemporary Western scholarship, there has been a move to see the individual and collective as co-constructing identities. Today most authors take an intermediate position (Alvesson, 2010) that recognises the interdependence of individual roles and the dynamic social processes in the creation of identity (Brown, 2015; Watson, 2009). The degree to which a scholar conceives of the individual's ever-emerging identity as relying on the social collective determines whether they referred to it as self-identity, interdependent identity or collective identity.

Clearly, over time identity has become a progressive and fluid concept (Weick, 1995), subject to ideologies and labelling, and influenced by social and cultural discourses (Warren, 2004; Watson, 2009) and orientations. This means that identity continues to be a 'slippery' concept (Alvesson, 2010). Despite a degree of stability at its core, it can be construed as a contingent and precarious construction, constantly in flux as a consequence of the ongoing process of 'identity work' (Brown, 2015) – "the range of activities individuals engage in to create, present, and sustain personal identities that are congruent with and supportive of the self-concept" (Snow and Anderson (1987,



p. 1348).

Identity work is a concept that is increasingly discussed in relation to identity (Brown, 2015; Beech et al., 2011; Essers et al., 2013; Sveningsson, & Alvesson, 2003; Watson, 2008 & 2009). It is the ongoing process of “forming, repairing, maintaining, strengthening or revising” a person’s sense of who they are in order to achieve a clear definition of self (Sveningsson & Alvesson, 2003, p. 1165). Because identity work is an ongoing process, it not only requires data to be collected over a period of time to capture its processual nature, but it also does not sit easily within a personal narrative research approach because identity work is not merely a process of self-focused reflection that an individual can narrate. It involves social engagement and therefore a much wider lens is needed to capture the combination of inward self-reflection and outward social engagement (Watson, 2008). A self-identity is the outcome of identity work (Brown, 2015) and, as such, it is a concept that fits more comfortably with a narrative view of how people make sense of their experience. The researcher can detect the self-identity in narrative data despite only having limited access to the social sites and the dynamic and multifaceted process of “doing” identity work.

The unit of analysis in this thesis is the individual (the franchisor), and not the business, partnership or social collective in which the business is embedded. The focus is on the business owner’s experience of becoming a franchisor and how their sense of this is expressed through narrative. This means the concept of self-identity is the appropriate one to capture the individuals’ narrated expressions of self. This is because the concept refers to “the character that the individual takes themselves to be” (Watson, 2009, p. 255); the expression of “who I am”, not the process by which this sense is achieved which, as noted above, is dynamic and social and falls under the rubric of ‘identity work’ (Brown, 2015; Watson, 2009).

Expressions of “who I am” can be used as conceptual tools or elements of more complex understandings. This is illustrated by Mills’ (2011a) study of start-up in the fashion design sector. Here she shows that designers’ orientation towards enterprise is explained in terms of self-identity, aspiration and motivation. Mills’ (2011a) analysis of the designers’ sensemaking produced a conceptual framework that contains three enterprise orientations: creative enterprise orientation (CEO), creative business orientation (CBO), and fashion industry orientation (FIO). Only by a process of conceptual shifts was a designer able to navigate the tensions they felt between their enterprise orientations and the demands of start-up. They did this by revising their sense of self-identity.

Franchising businesses are fundamentally distinct from conventional business (Watson, 2008). The franchised business evolves by duplicating the original business, similar to other expansion methods, but with the additional dimension of the franchise format. This franchising dimension not only comprises outputting “cloned” versions of the original business (Watson, 2008), but it is more complex in that the original business now faces incorporating into its conventional business identity a franchising feature (Stanworth et al., 2004). This complexity not only affects the business, but also the owner/operator (Jeremiah, 2012) as they must now concentrate on dual entities, as they change many daily routines and activities to accommodate new relationships such as a franchisor-franchisee relationship. In an exploratory study of mobile franchisors (Jeremiah, 2012), it was found that franchisors self-identity and the role that the business had in that identity were challenged as a result of the changes occurring to the business as it was moved to a franchise model.

In the literature review that examined the top six entrepreneurial academic journals (Hussain, 2011) and the *Business Source Complete* database over an eight-year period (2009–2015), no literature was found that explored the effects of moving to a franchise mode in terms of self-identity. The closest studies addressed franchisee identification (Ullrich et al., 2007) and franchise association identification (Lawrence & Kaufmann, 2011). A significant gap was thus revealed in the literature with regard to the perceived identity shift that accompanies becoming a franchisor. The way business founders identify themselves and their businesses characterise who they are. It seems a business owner’s self-identity is tightly coupled to what they describe as the central, distinctive, and enduring essence of the businesses they have shaped (Albert, Ashforth & Dutton 2000), yet this link was not found to be addressed in the franchising/franchisor literature examined.

### *Identity during Small Business Transformation*

Business change has been defined as “as an ongoing process, a stream of interactions, and a flow of situated initiatives, as opposed to a set of episodic events” (Tsoukas & Chia, 2002, p. 568). Reports of frequent change (Thomas, Sargent & Hardy, 2011), in small to medium enterprises (SMEs) as well as large ones, have triggered an acceptance among scholars and practitioners alike that organisations are subject to continual change, and, in effect, are always emerging (Tsoukas & Chia, 2002).

In SME's change is far from a simple and linear process. It is embedded in challenges and unforeseen difficulties causing over 70% of change efforts to fail (Burke, 2011; Cinite, Duxbury, & Higgins, 2009). Implementing business change can increase the stress levels of participants (Dahl, 2011), which can lead to disruptions in operational procedures and conflict with the desired outcome, ultimately leading to various levels of change resistance. When the consequences of deliberate change are not fully anticipated, or when the change requires a shift in routine activities, the participants can either regress or progress (Ambos & Birkinshaw, 2010) depending on how the change is accepted.

When a business undertakes radical change, the challenges faced can be far more significant and have more far-reaching consequences than during incremental change. A move to a franchising model cannot be viewed as simply an alteration or a new addition; instead, to understand the full impact of changing to a franchise model for a business and the business owner, such a move must be viewed as an organisational transformation.

There have been multiple studies linking identity to difficulties implementing change (Humphreys & Brown, 2002; Sims, 2003; Hibbert & Huxham, 2010; Ybema, 2010, Beech et al. 2011). Clark and Geppert (2011) propose that self-identity lies at the interface between the participants and change acceptance. Not only is self-identity created by the individual's cognitive perception of "who I am," but "what I do" is also interlinked with this self-perception. If career and occupation can be seen to be a reflection of self (Jansson, 2013), then an individual's business creation can indeed be a radiation of self (Mills, 2011a; Mills & Pawson, 2006; 2012). When change threatens the existence of self and the space within which self is enacted, resistance occurs (Hoang & Gimeno, 2010). This resistance occurs due to prior self-perceptions conflicting with perceptions of the new self (Stanworth & Curran, 1976). Hoang and Gimeno (2010) propose that role novelty is an important lens to apply to understanding how founders of new businesses 'grapple' with role transformations. Specifically, they argue that a successful role transition is tied to the degree of founder role novelty and the extent to which a founder role conflicts with new roles. Not only are there very few studies on studies of people transitioning into entrepreneurship, but my review failed to find any studies that have explored this relationship between role novelty and successful role transition in relation to becoming a franchisor.

Role centrality is another important consideration when trying to explain identity effects during business transformations (Hoang & Gimeno, 2010). Individuals have varying levels of attachment to the roles they perform. A role that an individual exhibits strong attachment to is said to have high identity centrality. This is because it makes a significant contribution to their sense of who they are. Furthermore, role centrality explains behaviour. People invest more time in roles that have high role centrality than those that do not (Burke & Reitzes, 1981; Farmer et al., 2003). This is predicted by identity theory (Stryker, 1968, 1980; Stryker & Burke, 2000) which, according to Terry et al (1999), “provides a clear justification for the inclusion of self-identity, a predictor of intention [...] (p. 227). From this, we can conclude that individuals’ behaviour reflects their level of identity centrality.

## Conclusion

This chapter reviewed the franchising, strategy, and sensemaking literatures which determined the research questions at the heart of this thesis and self-identity and identity work which emerged as important concepts when conceptualising the participants’ narrative accounts of their franchising experiences. It revealed that franchising is a well-researched field of study with its popularity no doubt linked to the observation that franchising alleviates managerial limits to a firm’s growth and provides a profitable and less-expensive means of expanding (Dant, 1995). Furthermore, in almost all firms the review revealed that strategy is a central concern for business development and is intimately involved with organisational choices and constant inevitable change (Balogun & Johnson, 2004; Lotte & Marianne, 2008).

Most significantly, the literature review revealed the importance of looking at franchising in an integrated manner that combines considerations of strategy, sensemaking and self-identity across time. It suggested important insights can be gained by investigating the way strategic planning occurs in franchising and how this links to the strategy enacted (SP) and the sensemaking that is an integral part of this enactment. It confirmed that the most important stage of franchising is the start-up stage (Floyd & Fenwick, 1998; Holmberg & Morgan, 2003; Stanworth, Purdy, English, & Willems, 2001; Watson, 2008), but also, surprisingly, revealed there was scant literature explaining how the business owner’s experiences during this stage translate into franchise longevity. The literature review thus provided a compelling argument for focusing on the articulation of strategy

and sensemaking during the setting up of the first franchise from the franchisors' perspective in order to learn more about franchise longevity.

## CHAPTER 3: METHODOLOGY

### Introduction

The purpose of this chapter is to describe and justify the research approach used in this study. This chapter begins by describing qualitative research and the characteristics of possible research paradigms that could guide the quest for answers to the research question. It then provides a case for selecting an interpretive narrative approach as the most appropriate paradigm. Next, specific approaches for collecting and analysing narratives are explained. The chapter concludes by discussing ethical considerations and limitations.

### Discussion of Methodology

#### Qualitative Approach

Qualitative research, by definition, seeks to understand the qualities of a phenomenon rather than quantifying them (Bryman, 2012). It is well suited to studying those phenomena that we have little knowledge about and therefore do not know the essential qualities that define them, the essential qualities that defy quantification, or where quantification would simplify or obscure such essential qualities. Qualitative techniques typically generate rich data, consequently, this encourages the researcher to see a phenomenon in a detailed and sophisticated fashion (Denzin & Ryan, 2007). Unanticipated dimensions and relationships can be discovered, particularly when the research design involves the researcher working inductively. This means inductive qualitative designs can produce rich new insights into complex human processes (Marshall & Rossman, 2006).

#### Selecting a Research Paradigm

Many research approaches involve collecting qualitative data. Qualitative data needs to be seen in the context of what the researcher believes about what is knowable (ontology), how this can be known and what the role of the researcher is (epistemology), and how data can be collected and analysed (methodology) (Denzin & Ryan, 2007). A paradigm is the term used to refer to a defined research approach that has an aligned ontology, epistemology, and methodology (Bryman, 2012). There are a range of different paradigms. The one that is most suited to an exploratory study that seeks to understand and theorise the subjective realities of franchise start-up from the franchisor's perspective is the interpretive paradigm.

The fundamental assumption of the interpretive paradigm is the inductive nature of inquiries, allowing findings to merge from the data without prior conceptions and ideas. Researchers using this perspective seek to understand the world from their subjects' perspective (Bryman, 2012); they acknowledge there is no objective independent reality that exists outside people's experiences. Rather, they see reality as subjective. Inevitably, the subjects' and researchers combined reality is a collaborative construction. (Cavana et al., 2001). Table 4 (adjusted from Bryman, 2012) contrasts the interpretivist paradigm with two other dominant paradigms: positivism and critical paradigm.

Table 4: Alternative Inquiry Paradigms

	POSITIVISM	INTERPRETIVIST PARADIGM	CRITICAL PARADIGM
<b>ONTOLOGY</b>	This perspective is of naïve realism; it views the world as being real and existing independently from human reality. The world is regarded as an ordered, structured place that is governed by physical laws. It is not concerned with how people create meaning or the resulting subjectivities, but rather, the pursuit of absolute truth.	Interpretivism is underpinned by the assumption that multiple realities exist so there cannot be an objective truth. Realities are constantly evolving through social interaction and are situationally dependent.	Critical paradigm insinuates concrete issues can construct knowledge. Critical paradigm influences and shifts particular situations by critiquing social, political, and pragmatic issues. Consequently, critical theory takes a subjective and transactional stance.
<b>EPISTEMOLOGY</b>	The positivist approach is dualist/objectivist. That is, research is conducted independently and separately from external factors and subjects.	Interpretivism appreciates a situation by examining it from the participants' perspective. The frameworks for understanding situations are from those who are creating it; furthermore, the researcher is inevitably part of the research.	Critical theory influences and shifts particular situations by critiquing social, political, and pragmatic issues. It typically takes a subjective and transactional stance.
<b>METHODOLOGY</b>	This perspective predominantly uses quantitative data. Hypotheses are generated that are often tested on large samples; they are typically deductive and data is treated as value-free or objectively.	The paradigm is typically inductive; qualitative data is collected. Participants' interpretations are gathered to produce in-depth rich data. The data reveals concepts, opinions, values, and behaviors of people in social contexts; the meaningful and symbolic content of data is examined.	Critical paradigm typically involves methods such as dialogical analysis, historical analysis, and ethnography and it can employ qualitative and/or quantitative methods.

### Selecting an Interpretive Paradigm and Narrative Methodology

This study's purpose was to understand franchise development from the franchisors' perspective, a topic that has not been well theorised. The researcher thus sought to inductively develop theory rather than test extant theory. The absence of literature from which to derive a model to test meant that the study was essentially exploratory. Key dimensions could not necessarily be anticipated, so rich data collection methods that captured the fine nuances and relationships between dimensions in a holistic manner were called for. Collectively, these attributes of the study made the interpretive approach ideal.

There are a variety of different methodological choices that will allow the researcher to understand the subjective reality of a new franchisor and also produce rich data. However, several factors need to be considered when making this choice. For this study, these factors included: a franchise start-up is a process that happens over time—it is not a single event; there is seldom one person involved; decisions need to be made regarding a wide range of facets; and the process and the decisions that underpin a franchise start-up are embedded in wider personal, social, industrial, and economic contexts. Consequently, a narrative method was judged to provide the optimum solution.

### A Narrative Study

Scholars have asserted that life is storied (Mills, 2011a; Fisher, 1987), comprised of “a series of ongoing narratives, as conflicts, characters, beginnings, middles, and ends” (Fisher, 1987, p. 24). According to Bauer and Jovchelovitch (2000, p.1) “there is no human experience that cannot be expressed in the form of a narrative”; in fact, a narrative approach “stays closer to actual life events” (Hollway & Jefferson, 2000, p. 32) in comparison to other methods. Narratives not only are the vehicle for understanding lived encounters, but through sharing, they create experiences for their listeners, often capturing life’s actualities in their richest form (Reissman, 2008). Since each franchise start-up story is ultimately part of a person’s expansive life story, the wider life context of start-ups could be understood by capturing these narratives.

Narrative studies have been used extensively over time in many disciplines including sociology, psychology, anthropology, and educational sciences (Johansson, 2004). Yet remarkably, narrative research in entrepreneurship studies is a relatively modern occurrence. However, as researchers progressively recognise the value and impact of using narrative approaches to study entrepreneurship, narrative studies have steadily increased (Johansson, 2004). Narrative



approaches have been used to investigate the transition to self-employment (Mallon & Cohen, 2001), international entrepreneurship (Fletcher, 2003), intergenerational succession in family businesses (Hamilton, 2006; Dawson & Hjorth, 2012), business start-up in the ICT and fashion sector (Mills, 2011a, 2011b; Mills & Pawson, 2012), entrepreneurial learning (Rae, 2002), innovating cultures in SMEs (Wolf, Kaudela-Baum & Meissner, 2012) and identity (Mills & Pawson, 2012; Down & Warren, 2007; Essers & Doorewaard, 2013; Garcia & Welter, 2013). However, regarding business development and more specifically franchising, minimal recent research has taken a narrative approach.

### What Is a Narrative and How Do We Study It?

Narratives are “a tool or program for making sense of events” (Gephart, 1991, p. 37), and “a blueprint that can be used to predict future organizational behaviour” (Martin, 1992, p. 287). This means the act of storytelling provides a valuable means for the researcher to tap into a subject’s sense of their experiences. What constitutes a story varies from one theorist to another (Prichard, Jones, & Stablein, 2004), however. Some scholars are strongly devoted to a literary approach (Fisher, 1995; Czarniawska, 1999). Others advocate a critical approach (Boje, 1995; Gabriel, 2008), and still other scholars, such as Brown (2006), are more interpretive, using narrativity to tap into the narrator’s sensemaking.

Fisher (1995), who employs a literary approach or narrative composition analysis, proposes a shift from a rational world paradigm to one that puts storytelling at the heart of human experience. Fisher (1995) views all communication as storytelling; he claims that individuals are fundamentally narrators and that life itself is a storied phenomenon. Fisher (1995) asserts that individuals privilege those stories that fit their world view and, most significantly, those that fit their values. In data analysis, rationality is determined by the coherence of a person’s stories, and narratives are recognised by both verbal and non-verbal messages (Prichard et al., 2004). Boje (1995), a critical narrative analyst or “story liberator” (Pritchard et al., 2004), also believes people privilege stories that fit with their world view and, most significantly, stories that fit their values. In data analysis, Boje (1995) not only seeks to reveal links between power and storytelling and how storytelling achieves this control and oppression, but he also examines how stories mask other stories. This approach is taken by those whose research subjects are power, control, inequality, oppression, and exploitation (Pritchard et al., 2004). Gabriel (2008) is also another critical narrative

analyst, although his approach looks from the reverse of the relationship, in other words, how storytelling counters or undermines power and control and so is therapeutic. His examination of data is psychoanalytical; it attempts to reveal and alter societies' attachments to specific destructive stories (Gabriel, 2008).

In contrast, Andrew Brown's work with narratives draws on the social psychology of Karl Weick (Prichard et al., 2004). Consequently, Brown's reading of narratives is less directly political than Boje's. Brown draws from a different psychological tradition than Fisher, Boje, and Gabriel (Prichard et al., 2004). Brown and his co-authors (e.g., Brown, 1998; Brown & Humphreys, 2003; Brown, 2006; Brown, Stacey, & Nandhakumar, 2008) propose narratives capture the people's sensemaking as they individually and collectively grapple to comprehend and successfully enact the complex situations in which they find themselves. One limitation recognised by Brown is the problematic position of the researchers; as they present their interpretation of their subject's narratives, there is the question of whose sensemaking is truly being presented (Prichard et al., 2004).

### Selecting a Narrative Interpretive Method

As an interpretive inquiry, this study was largely influenced by Brown's work. An interpretive narrative approach was selected primarily to generate "a rich body of knowledge, unavailable through other methods" (Stutts & Barker, 1999, p. 213) and, told from the narrators' viewpoint, each story exposed the sense franchisors made of their start-up experiences. Weick and other scholars (O'Conner, 2002; Chase, 2003) continuously reiterate that people make sense of life through the stories they tell (i.e., narration). However, it is not just the content of these told stories that matters. As participants speak and share retrospective accounts, it facilitates them understanding what they thought, organise their experiences, and control and predict events (Abolafia, 2010; Isabella, 1990; Weick, 1995). Therefore, the process of storytelling is equally as important as content, because in the process of storytelling sense is conjured up and brought forward into the present, and sense gives the storyteller the opportunity to act prospectively as a template for the future. As Johansson (2004) explains: "a storyteller does not merely tell stories after the facts about his/her experiences" (p. 276), since so often "we talk today about what we commit ourselves to do tomorrow" (p. 287).

Furthermore, characterised as “strategic, functional and purposeful” (Reissman, 2008, p. 8), narratives deliver copious information on how strategic intent evolves in practice within the how, where, when, with whom, and why of franchise start-up stories. In fact, strategic planning itself is a form of narration, “entrepreneurs ‘plot’ themselves and their companies” (O’Conner, 2002, p.37). O’Conner (2002) goes on to say that business owners “write marketing, strategic, and financial plots for their companies; and in everyday conversation, they narrate their dreams and their plans for extraordinary personal and professional success” (p. 37). Jovchelovitch & Bauer (2000) put another perspective on it: “Situation, goalsetting, planning, and evaluation of outcomes are constituents of human goal-directed actions. The narration reconstructs actions and context in the most adequate way: it reveals place, time, motivation and the actor's symbolic system of orientations.” These statements reiterate that exploring the link between strategy practice, implementation, and sensemaking distinguishes narratives as an appropriate approach, since a narrative contains a sequence of events (the plot), and these events represent actions, which in many instances, are deliberate and reflective, and therefore can be considered a meaningful enacted strategy.

### [Narrative Interviewing](#)

Fisher (1995) described interviews as individual’s accounts and interpretations of life’s events and experiences. Interviews produce collective data that are “interpretations of some aspect of the world occurring in time and shaped by history, culture, and character” (Fisher, 1995, p. 170). This enables the researcher to uncover conceptions and situational aspects from each account. Narrative interviewing differs from conventional interviewing in that it frequently elicits accounts closer to the actual experience (Hollway & Jefferson, 2000) by generating “detailed accounts rather than brief answers or general statements” (Reissman, 2008, p.23).

Thus, narrative interviews that require a setting that encourages and stimulates interviewees to tell their franchise start-up stories, empowers the narrators (Elliot, 2005) and taps into the interviewees’ “emotional attentiveness” (Reissman, 2008, p.24). This approach elicits fuller, richer narratives in contrast to a standard question-answer method of interviewing, which has a tendency to suppress respondents’ stories (Reissman, 2008; Hollerway & Jefferson, 2008) and merely produce an “artefact of the research design” (Elliot, 2005, p.22).

In this study, facilitating a narrative climate meant avoiding excessive pre-structuring of interviews. Although a basic interview guide was generated containing a set of open-ended questions concerning the topic, due care was taken to ensure that the majority of questions were derived from “close listening to the narrator’s story rather than ask[ing] questions from the interview guide” (Chase, 2003, p.83). Through attentive listening, often the researcher found that many of their interview questions were answered without warranting a question (Hollerway & Jefferson, 2000).

Recognising that all solicited narratives are a collaboration between researcher and interviewee (Mills, 2011; Gartner, 2007) who “jointly construct narrative and meaning” (Riessman, 2008, p.23), the researcher endeavoured to give the interviewee as much latitude as possible to tell their start-up story in their own way. Therefore, despite certain topics of interest requiring specific attention, the researcher initially relinquished control of the interview, allowing the interviewee to shape the story around what was meaningful to them (Reisman, 2008). Although the researcher’s primary role was to be an attentive listener, adopting the “abandonment of self in a quest to enter the world of another (Andrews, 2007, p.15), the interviews did demonstrate “co-construction vividly at work,” as the interviewer curiously dug into the narrated story, qualifying that “topics and meanings are negotiated in dialogue between teller and listener” (Riessman, 2008, p. 40).

### Mediated Approach to Narrative Interviewing

With enhanced media options increasingly available, traditional face-to-face interviewing is no longer regarded as the sole method for conducting personal interviews. In fact, as quickly as it became available, internet video interviewing was promptly accepted as an option for many researchers. Kazmer & Bo Xie (2008, p. 259) agree: “computer-mediated communication (CMC) was seen early to have communicative power and has demonstrated on-going potential as an interview venue” (Hiltz & Turoff 1978; Davis et al. 2004). This progressive trend is possibly due to varied “ideological, methodological, and practical reasons why [mediated interviewing] may be a more favourable mode than the often ‘default mode’ of face-to-face interviewing” (Holt, 2010, p. 120). Moreover, Wildeman (2011) alleges that “if a researcher were to choose to record video interviews of a Skype conversation, this may actually be superior to a face-to-face interview” (p.2).

Benefits of mediated video interviewing such as Skype are increasingly being recognised (HayGibson 2009, pp. 46–47). These benefits include: it reduces the notice needed prior to conducting interviews (Hay-Gibson, 2009), it allows for the exchange of attachments in real time (Kazmer and Bo Xie, 2008), it allows for visual cues (Karapantazis & Pavlidou, 2009), it is flexible geographically and in terms of time (Hanna, 2012), it is inexpensive (Karapantazis & Pavlidou, 2009), and it is easy to install and use (Wildeman, 2011).

Furthermore, it seems the criticisms associated with losing visual and interpersonal aspects of indirect interviews (Evans et al., 2008; Holt, 2010; Flick, 2009) are somewhat overcome by video interviewing. As Nigel and Horrocks (2010, p. 85) point out, “by selecting the “full screen” video function on Skype we will be provided with visual cues, avoid long silences and create an experience almost as though the person is in the room with us.” Holt (2010) explained that conducting video interviewing allows the researcher to silently acknowledge the interviewee (e.g., by nodding) without interrupting their narrative (Holt, 2010).

Interviewing business persons can often be problematic due to their demanding schedules (Flick, 2009). Frequently during data collection, participants are suddenly unable to attend an interview; video conferences are less awkward to reschedule, reducing embarrassment and unnecessary expenditure (Hanna, 2012). Video interviewing also allows for shorter notice since travel does not need to be planned prior to the interview.

After considering the apparent advantages to both parties, video interviews were selected for this study to not only obtain rich narratives, but also to capitalise on the associated benefits while best fitting within the context of this study (Kazmer & Bo Xie, 2008). Video interviewing also ensured the researcher was not forced to eliminate any potential participants due to the inflexibility of face-to-face interviews. In most cases being able to interview via video was the only option that participants would agree to for an interview. The franchisors perceived telephone or internet video interviews required less time and could be done at different intervals or on short notice. This was a considerably important factor due to the limited number of ceased, nascent, and successful franchisors who matched the selection criteria. Where video interviewing was not possible, such as on occasions when the participant was driving, participants were interviewed via telephone.

### Prior to Interviewing

Prospective participants (i.e., franchise founders and key stakeholders) were sent a preliminary email introducing the research and explaining the study. Once respondents consented to participating, a set of demographic questions and a blank timeline grid, marked only by the beginning and end of the start-up stage, were given to participants to be filled in prior to the interviews. In addition, general interview questions were given in advance for the interviewee to reflect on, facilitating smooth flowing expression during the interview process (please see appendix).

Prior to commencing the actual study, the researcher conducted 3 trial interviews to ensure the interview questions were suitably fit to obtain the appropriate data. This provided the opportunity to observe the interviewees' interpretations of questions and to note when the interviewees required clarification (Bryman, 2012). The researcher then modified questions based on the interviewees' comments and the researcher's observations.

### Creating Narratives

Interviews were held with the 53 founders of each of the participating franchise organisations, each lasting on average 120 minutes. In many cases, the interview could not be held in one sitting. Often the interviews were done in intervals of 30 minutes or when the franchisor had available time. In a few cases, the interview was held over a period of 3 weeks. In the case of partnerships, both the franchisor and business partner were deemed primary informants; consequently, both were interviewed where possible. In addition, other primary stakeholders were interviewed where possible to capture their interpretations of the new franchise development. Nearing the completion of this study, the researcher contacted the franchisors to confirm that they were still operating a franchised business. No further interviews were conducted due to consistency of data as it was not possible to re-interview all participants.

Being an inductive study meant that I did not approach this investigation (of how the franchisers went about transforming their business and becoming franchisors) using a pre-emptive conceptual framework or set of assumptions to direct what data I gathered, nor did I have a set of topics systematically set out to ask about. Instead I asked my participants to tell their story of changing business model.

The narrative interviews began by explaining the specific area of interest to the interviewee: the start-up stage of franchising. Ensuing that, the interview procedure was briefly explained to each interviewee: uninterrupted storytelling followed by a related questioning stage. A timeline grid, filled out by the franchisee prior to the interview, which schematically represented the key stages each participant considered noteworthy of their start-up experience, was used next to reiterate the topic of interest. This visual aid served a quadruple purpose: it was used as a memory stimulus for the narrator to elaborate on the timeline stages (Jovchelovitch & Bauer, 2000), it ensured that the interviewee remained in the parameter of the inquiry (Elliot, 2005), it accommodated different storytelling abilities (Hollerway & Jefferson, 2008; Bauer, 1996), and it addressed a problematic aspect of storytelling—eliciting the complete narrative (Hollerway & Jefferson, 2008; Bauer, 1996). On occasions, the researcher suggested possible stages on this timeline during the interview, parallel to Gubrium and Holstein (1995), who advise that the role of the interviewer should be “indicating – even suggesting – narrative positions, resources, orientations, and precedents” (Gubrium & Holstein, 1995, p. 39).

Next, the interviews required participants to tell the story of how they developed their franchise. This proceeded devoid of any interruptions and during which time the only response or acknowledgement given was nonverbal. Notes were taken during this process to prompt the researcher to ask follow up questions later. Once the interviewee gave cues of concluding, the opportunity was given to add to their story.

The third interview stage involved asking questions related to the research theme, the event, or aspects of the story (Chase, 2003), supplemented by broad open-ended questions (Reissman, 2008) to prompt expansion and elicit longer narratives. This included questions such as “Can you tell me more about...?” or “Can you give me an example of...?” These questions and other simple probes including “Why?” or “How do you account for [...]” were used to elicit additional material and to tap into the sense that franchisors made of their start-up experiences.

This interview process provided a basis for answering the researcher’s inquiries, which included:

- What processes underlie changes in the franchisors’ experience?
- What are the cognitive processes behind decisions and plans made?
- What thinking or events lead to any digression?

- To what extent did the franchisors deviate from original plans?
- What was the rationale behind why the strategic groundwork was laid?
- What can be accredited to the success of the franchise, or to exiting the franchise, and, if the case of exiting, what was the rationale behind adhering to the original strategy?

Although asking these questions did not always elicit further stories, the varied frames of the questions allowed each interviewee to reveal different associations to the same memory (Hollway, Wendy, & Jefferson, 2008). Each interview concluded with an interview summary.

### Transcribing

There are a variety of transcribing protocols that can be used, with some designed to capture greater or less detail, or different features of an interview (Knight, 1999). These protocols include whether transcribing abbreviations are used (e.g., *isn't* instead of the expanded version *is not*), whether to ignore or include verbal tics (er, ah) and pauses (shown as three (...) dots), and whether to include or eliminate repetition (Knight, 1999). Given the variety and associated benefits (Knight, 1999) of the different levels of detail that could be used, a decision had to be made which best suited this study and its purposes. The protocol used in this study was as follows:

- verbal tics (er, ah) were included to demonstrate franchisors' thinking
- abbreviations (haven't) that were used by the franchisors were not expanded
- the pauses were shown as (...)
- when parts of the transcript were removed [...] was used
- repetition was included
- [sic] is used to represent colloquial language as spoken by the franchisor

All 53 interviews were recorded and transcribed word-for-word by the researcher. These were checked afterwards for accuracy.

### Additional Data

Narratives exhibit intertextuality, a characteristic of discourse defined as “the explicit and implicit ways in which terms refer to one another” (O’Conner, 2002, p. 37). Certainly, exploring the views of stakeholders allowed the intertextual properties of the narratives to be accessed, since “entrepreneurs recognize that they are constantly plotted into storylines authored by others” (O’Conner, 2002, p. 37).



Furthermore, intertextuality is exposed through various organisational texts that are intricately related to other texts, that are inside other texts, or that are included as hypertextual references (Kuhn, 2008; Porttikivi & Laaksonen, 2013). Therefore, a secondary method of data collection for this study involved acquiring business plans, contracts, manuals, disclosure documents, and any other available documentation. These were analysed to capture any changes made to initial franchise plans, to explore the way in which the franchisor presented his or her business and to give an overall picture of the business and its objectives.

In addition, each participant's business was profiled using data from a variety of sources including Facebook pages, media reports, marketing materials, and webpages, adding richness and substance to each case. Capturing the wider context of each narrative meant that each franchisor was treated as a case study; this positioned narratives within the broader frame of each case study.

### [Narrative Analysis Technique](#)

Andrew Brown, a narrative researcher, primarily employs interpretive analytical methods (Fairhurst & Putnam, 2004). Two of Brown's research studies, one investigating sensemaking in team members' narratives (Brown, 2008) and one investigating senior managers and their subordinates during change (Brown, 2003), played an influential role in the approach used in this doctoral study as his analysis exhibited detailed interpretivist guidelines. However, the grounded theory aspects in Brown's 2003 study were not incorporated in this study.

Brown's (2003, 2008) approach begins with reading transcripts and other data sources several times until he is able to grasp the full picture of the narrators' experience. Next, each narrator's story is analysed by comparing it to other stories, examining them for similarities, contradictions, vagueness and distinctions of various kinds (Brown, 2008). Coding commences next with the identification of patterns by "volume or significance" (Beech, 2000, p. 213). This generates a set of categories that emerge from the terms used by the narrators. While paying close attention to the language used in the narratives and gradually moving back and forth between data, categories, codes, and themes, Brown (2003) generates further ideas, enabling him (and his co-author) to explore the narrator's rich interpretations of the social world.

As mentioned previously, while that narratives can be analysed in many different ways, (e.g., to determine stories' coherence, Fisher, 1995) or to critically analyse how reality is represented (Boje,

1995), in this study narratives were used as the primary means to obtain a rich body of knowledge about how the franchisor experienced the business transformation involved in establishing a franchising operation and the sense they made of this experience.

Mirroring Brown's approach, the analysis in this study began by reading each interview over in its entirety to establish the general flavour of what was being narrated and the prominent characteristics of the narrative. This reading allowing the researcher to grasp the holistic nature of each narrative and become "thoroughly familiar with the data" (King, 1994 p. 24). Next, the transcripts and other data sources were imported into Nvivo (a qualitative data management program) and were then read and reread again. This allowed the researcher to gradually piece together the franchisors' accounts of their start-up experience, devoting particular attention to how the social world was embodied in individuals' stories (Chase, 2003), before applying a finer level of analysis.

The analysis then focused on identifying themes whilst keeping the research question at the forefront. This closer examination involved a rigorous process of moving backwards and forwards between narratives comparing the fibula (i.e., events, actors, time and setting (Søderberg, 2006, p. 399) and ideational elements (i.e., arguments, definitions, facets, explanations, persistent themes, additional stories, and the chronicler's position) contained within them. NVivo was predominantly used here as a means of data organisation and node rearrangement (Godau, 2004). Employing this iterative process facilitated a coding system that accommodated all data (Mills & Pawson, 2012, p. 592), rather than just those data specifically addressing strategy, sensemaking and franchise start-up. Coding involved the identification of patterns which supported a theme. Utilising Nvivo throughout this process allowed data to be examined with ease and relationships between themes and subthemes to be established. Franchisors' narratives were coded by the sequence of events they described, which formed the stages of start-up. From that, those excerpts that referred to strategy practice (what they did) and those that explained why it was done (sensemaking) was coded accordingly. This included planning, decisions, management of various situations and the rationale of why it occurred in a particular way.

The quest to identify factors that franchisors' reported influenced their decisions to terminate or continue franchising involved careful coding of the reasons why the business owners chose to

franchise, the meaning they gave to their experience of becoming a franchisor, and also their interpretations of the planning and implementation processes that were interlinked with their decision to exit or continue franchising. This coding and subsequent analysis also carefully examined what they considered were the primary factors contributing to the outcome of their franchising experience and, secondly, their reasoning about why those factors existed and were influential.

Next, close attention was given to the language in the narratives as “perhaps the primary medium of social control and power” (Fairclough, 1989, p. 3). In this way an in-depth appreciation of the process of creating a new sort of business—a franchise business—was developed. This narrative-based analysis is consistent with a growing trend for researchers to position organisations as “discursive constructions” (Brown 2008, p. 1042) and to focus on discourse as “the very foundation upon which organizational life is built” (Fairhurst & Putnam, 2004, p. 5).

When a researcher asks interviewees to explain why they did something they are tapping into the interviewees’ sensemaking. When this explanation is part of a narrative the sense that can be discerned is richer and more complete than if a survey tool or structured interview is used. Analysing these stories allowed the researcher expose how the narrator’s sense of their situation or decisions they made fed subsequent action.

### Participant Selection

Selecting participants in qualitative research favours purposeful sampling over probability or random approaches (Bryman, 2012); it promotes the selection of smaller sample sizes to capture in-depth and rich data collection (Cavana et al., 2001). Consequently, participants were selected using a purposive sampling technique called judgement sampling (Marshall, 1996). Judgment sampling involves the choice of participants who are in the best position to provide the most appropriate information in a timely fashion (Cavana et al., 2001, p. 263). The predominant participants were the franchisors from each company, each was “a knowledgeable key informant and hence provided a valid approach to measuring organizational processes” (Sadler-Smith et al., 2003, p. 56). A key informant “is someone who is aware of all aspects of the business” (Ucbasaran et al., 2006, p. 204). Therefore, franchisors were deemed the most appropriate participants for this study.

A framework of variables was used in the selection process. The franchises selected were not industry specific. Instead, the entire population of franchises in New Zealand, which included franchises across all business sectors, was contacted to demonstrate that findings are not unique to a specific industry. In addition, only the franchisors who had not owned another franchise were selected to affirm they were relatively new to the franchising concept when initiating their first franchise. There were three groups of subjects: nascent franchisors, successful franchisors, and ceased franchisors.

The first group of subjects (successful) were from established franchises that had been operating between 5-10 years ( $N=22$ ). This franchise age bracket served a dual purpose. Firstly, it ensured the franchisors were outside of the most common years of franchise termination and could be considered successful (Watson, 2008, Stanworth et al., 2004). Secondly, it ensured franchisors' memories of their start-up experiences were comparatively fresh in an effort to reduce recall bias, because some start-up research has been criticised for recall bias, which is a problem that occurs when participants have to reflect on behaviour in the distant past (Lichtenstein, Dooley & Lumpkin, 2006; Cassar & Craig, 2009).

The second group of participants (ceased) were franchisors who had ceased franchising ( $N=17$ ), providing the reflections of those who do not provide examples of business continuity. To eliminate potentially unrelated non-franchise factors, businesses that ceased operating were excluded. Instead, franchisors were selected that had attempted to expand through franchising, but had subsequently withdrawn from franchising, yet the original business still remained in operation. This consideration meant that franchisors were less reserved; they did not position their situation a failure because only the franchising aspect of their business was terminated. None of the franchisors who had ceased franchising had been labelled failures. This is primarily because ex franchisors often consider terminating the franchise model a success for various reasons, rather than seeing termination as failure (Watson, 2008).

The third group of franchisors (nascent) were those who had just began their franchise ( $N=14$ ) and had either just obtained the first franchisee or were in the process of recruitment. Therefore, these franchises were not proved to be successful at the time of data collection. The primary reason for obtaining these franchisors' stories was to capture their lived experience of operating their

franchise. This allowed the researcher to capture their strategy practices and their sensemaking processes, as these were occurring, while the experience was also very fresh in their minds.

The successful and nascent franchisors were selected from a publicly accessible franchise directory provided by Franchise New Zealand and from internet search engines. The Franchise New Zealand franchise directory contains key information of over half of New Zealand franchises and is available through their website (<http://www.franchise.co.nz/franchise-opportunities>) or their quarterly issue of the *Franchise New Zealand Magazine*. Information on unsuccessful franchisors was originally obtained by contacting Franchise New Zealand, who retains an extensive list of business owners who have ceased franchising. At the time of data collection, the researcher contacted a number of franchise experts who all recommended Franchise New Zealand as holding the oldest and most reputable database of franchisors, both ceased and existing. Nearing the end of data collection, the database of unsuccessful franchises was no longer available due to the responsible staff member suddenly leaving the country, at which point Franchise New Zealand and a reputable franchise consulting company provided a copy of the 2007 directory. This directory was carefully compared to the current directory. All businesses that were no longer on the directory were contacted to find out if they had ceased franchising. Many of those no longer on the directory had either closed down their business, had moved overseas, or did not want to participate. Only 4 additional participants were able to be interviewed from this method. The total number of participants interviewed was 53 (17 ceased, 14 nascent, and 22 successful).

While trying to obtain the population of ceased and continued franchises that matched the criteria, the researcher faced significant limitations. Not all prospective participants were willing to participate; others agreed and then subsequently declined. Another key limitation was that all franchisors or business owners were restricted by time; therefore, a number of potential participants declined on that basis. Regarding the successful franchisor group, not all franchisors were able to be contacted; some franchisors had left the country, while others had sold their businesses and were not able to be located.

### Profile of Participants

All franchisors were coded according to industry type using major categories under the Australian and New Zealand Standard Industrial Classification (ANZSIC) coding system. Each franchisor's

business was carefully checked against each chapter of the manual<sup>1</sup> to ensure they were appropriately matched to the classification of each industry. The highest number of participants fell within the construction industry. More detailed demographics are provided in the next chapter.

Table 5 profiles the participants according to industry category.

Table 5: Franchise Industries

INDUSTRY:	CEASED	NACENT	SUCCESSFUL	TOTAL
<i>Retail Trade</i>		1	4	5
<i>Accommodation and Food Services (providing accommodation, food/beverage, and hospitality services)</i>	3	2	2	7
<i>Administration and Support Services (includes travel agencies, office services, domestic and industrial cleaning, gardening services, lawn mowing, etc.)</i>	2	4		6
<i>Rental Hire and Real Estate Services</i>		1	4	5
<i>Education and Training</i>			1	1
<i>Arts and Recreation Services</i>	1	1	1	3
<i>Construction (includes construction, repair, and maintenance or demolition or wrecking of buildings and structures)</i>	4	5	8	17
<i>Transport, Postal, and Warehousing</i>			1	1
<i>Electricity, Gas, Water and Waste Services</i>	1			1
<i>Information Media and Telecommunications</i>	1		1	1
<i>Professional, Scientific, and Technical (Units in this division specialise and sell their expertise. In most cases, equipment and materials are not major inputs).</i>	4			4
<i>Financial and Insurance Services</i>	1			
<b>TOTAL</b>	17	14	22	53

## Ethical Considerations

### Confidentiality

This project stringently followed the guidelines set by the University of Canterbury's Human Ethics Committee. Information was sourced directly from participants who were assured that all information gathered remained strictly confidential. Participants and their businesses were given fictitious names to hide their identities.

<sup>1</sup> <http://www.stats.govt.nz/methods/classifications-and-standards/classification-related-stats-standards/industrialclassification.aspx>

### Informed Consent

Prospective participants were informed of the purpose of the study; they were given an information sheet (See Appendix 4) that explained the researcher's intentions and informed them that interviews would be recorded and transcribed and this would occur in a private space. Participants were informed that they could decline to answer any particular question they did not consider appropriate, that they could withdraw from the project up until May 2014, and that all the data they had supplied would then be destroyed.

The researchers gave participants an oral summary of the main points the researchers had understood at the end of each interview. They were also provided with a transcript of the interview to check for factual errors. If there was anything they wished to correct, or if they wished to ask for information to be disregarded, they were provided with the opportunity for to do so at that time.

### Data management

During the study, data was stored on a password-protected computer, with names held separately from the data. After completion of this study, documents containing data will be stored in the supervisor's locked cabinet for the required five years.

### Limitations

One objective of this study was to examine the impact of the strategic evolutionary cycle on franchises' final outcomes; this limited the approaches the researcher could take. Although a longitudinal study would have allowed the researcher to examine franchisors over a longer time span (which would determine franchise success or termination), this method was not appropriate due to time restrictions. Observational studies were equally unsuitable as the researcher could not determine (without conducting a longitudinal study) the success or failure of the franchise.

Another limitation was hindsight bias. Hindsight bias has been described as "the tendency for individuals to see past events as being more predictable, or to believe after an event, that their prediction of the outcome was more accurate than it actually was" (Cassar & Craig, 2009).

However, according to Mills and Pawson (2012), this bias "does not present the same methodological challenges to the interpretive researcher as it does to the positivist scholar" (p. 591). Whereas the positivist researcher focuses on facts and actualities, the interpretive researcher strives to capture the participant's sense of their experience and recognises that "this sense is not

a definitive or static entity” (Mills & Pawson, 2012, p. 591), instead it is something that evolves and “is filtered, through social constructions such as language, consciousness, and shared meanings” (Rowlands, 2005, p. 81). Therefore, it is contingent upon the psychological, social, and situational circumstances that transpire when sense is being made (Weick, 1995). Nevertheless, one significant cause of hindsight bias was addressed by selecting participants who were within the five-year timeframe to assist memory recall (Lichtenstein, Dooley & Lumpkin, 2006).

## Conclusion

This chapter gave an overview of research paradigms and theoretical tools before highlighting the philosophical position underpinning this study. It outlined the rationale for conducting a qualitative narrative study, which included that this approach would (1) capture the essence of franchisors’ experiences as they transformed themselves from business founders to franchisors, and (2) allow for the creation a model of the start-up stage of franchising and subsequent effects on the continuity or the termination of franchising. This chapter described the sampling method and gave a sample profile of the selected participants. It then discussed the analysis approach that was selected to best answer the research question and satisfy its objectives.



## CHAPTER FOUR: FRANCHISE START-UP STAGE

### Introduction

This chapter reports that findings that emerged from the narratives that were analysed. It describes the franchise start-ups and the stages that formed the start-up process. Although it is accepted that the stages can be iterative or undertaken in different orders, generally, the franchisors in this study followed the described stages in the order discussed.

The chapter begins by giving general demographics of each of the three groups studied. Next, it presents a flow diagram to represent the stages of the start-up process. The decision to franchise is then discussed followed by a discussion of the preparation often undertaken before franchising. It concludes with the later stages of franchise start-up: planning and the implementation stage.

### Background of Franchisors and their Businesses<sup>2</sup>

#### Nascent Franchisors

The group labelled nascent franchisors ( $N=14$ ) were in the process or start-up stage of franchising. These franchisors were in varying places within this stage: some had not obtained franchisees yet, some were in the process of recruiting, and some had newly-appointed franchisees. All franchisors had not been proven successful (Stanworth, 2004); they all had been in franchising less than 5 years.

The nascent franchisors were from a variety of industries, although the construction industry and the administration and support services industry were the most populated of the nascent group, as shown in Table 6.

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<sup>2</sup> Successful franchisors were coded SF and then given a number of 1 to 22. Ceased franchisors were coded CF and then given a number of 1 to 17. Nascent franchisors were coded NF and then given a number of 1 to 14.

Table 6: Nascent Group Industries

INDUSTRY:	NASCENT
Retail Trade	1
Accommodation and Food Services	2
Administration and Support Services	4
Rental Hire and Real Estate Services	1
Arts and Recreation services	1
Construction	5
TOTAL	14

The most predominant age groups for participants were 40-49 years and 50-59 years. Participants included three females and seven males. Of the 14 participants, seven had a business partner and nine had childhood exposure to business. The majority of participants had prior business experience, and seven had tertiary qualifications. Of the cases, the average time between business set-up and franchising initiation was 4.5 years, with one excepting being 34 years, and another exception where business set-up and franchising initiation occurred simultaneously. For full demographics, see Appendix 2.

#### Ceased Franchisors

The ceased franchisor group ( $N=17$ ) had discontinued franchising although remained in operation. Most franchisee branches had been closed down; one or two remained as separate businesses and changed their name.

Accommodation and food services, construction, and professional, scientific, and technical were the three most popular industries. There were no female participants in this group. The majority of participants were aged from 40–49, followed very closely by those in the 50–59 age bracket. Eleven out of 17 had childhood exposure to business, while 15 out of 17 had prior business experience. The average time between setting up business and initiating franchising was 3.5 years, the lowest average of all groups; however, this may be due to the longest period of time being only 7 years and the shortest after 1 year. Six had been educated at the tertiary level, and four had trade qualifications. Ten out of 17 had no business partner. Table 7 shows the number of participants from each industry.

Table 7: Ceased Group Industries

INDUSTRY:	CEASED
Accommodation and Food Services	3
Administration and Support Services	2
Arts and Recreation Services	1
Construction	4
Electricity, Gas, Water and Waste Services	1
Information Media and Telecommunications	1
Professional, Scientific, and Technical	4
Financial and Insurance Services	1
TOTAL	17

### Successful Franchisors

The successful group ( $N=22$ ) was the largest group in this study. The successful group self-characterised themselves as “successful franchisors” and were thus labelled accordingly. The most popular industry in the successful group was the construction industry, although this industry also featured highly in the other two groups. This may be reflective of a current growing demand in building construction in New Zealand.

The largest number of successful franchisors were aged 40–49, followed by those in the 50–59 age bracket. Only three out of 22 franchisors were female. Sixteen had prior business experience, and 14 out of 22 had childhood exposure to business. Ten out of 17 had no business partner. The average time between setting up the business and initiating franchising was 6.5 years. Several cases were on the higher end of this spectrum, initiating franchising after having been in business for many years; one after 41 years, one after 29 years, and two after 10 years. Three commenced franchising from business inception. Two participants had trade qualifications, and 11 participants had tertiary qualifications. Table 8 shows the number of participants from each industry for the successful group.

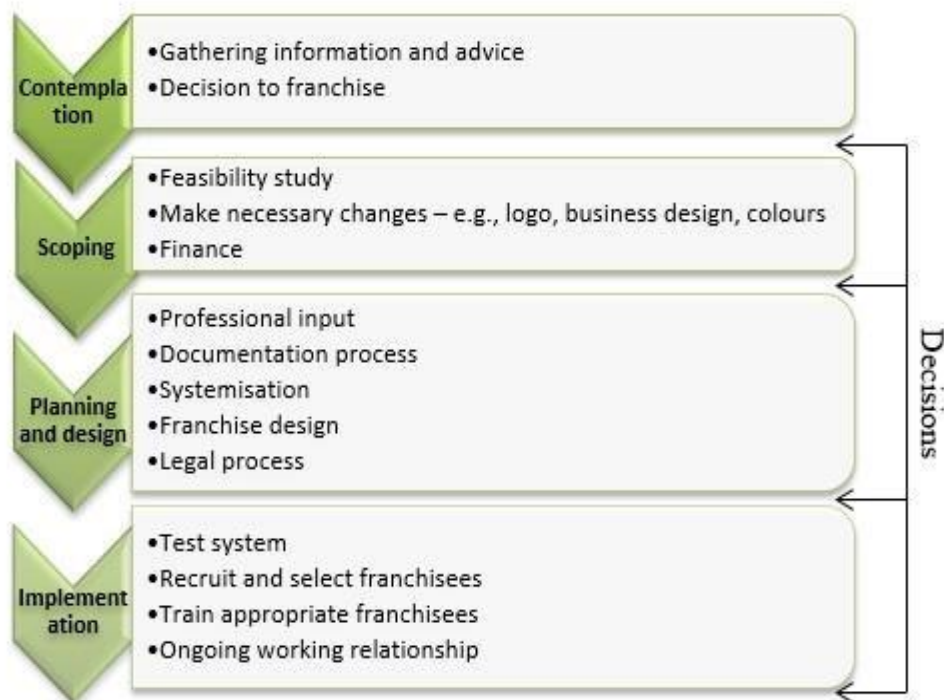
Table 8: Successful Group Industries

INDUSTRY:	SUCCESSFUL
Retail Trade	4
Accommodation and Food Services	2
Rental Hire and Real Estate Services	4
Education and Training	1
Arts and Recreation Services	1
Construction	8
Transport, Postal and Warehousing	1
Information Media and Telecommunications	1
TOTAL	22

### Stages of Start-up

Shaped from 53 franchisors' stories, Figure 3 illustrates the four main stages that made up the franchise start-up process in this study. This start-up process typically took around 3–4 years. As Figure 3 demonstrates, there were key decision points after each stage.

Figure 3: Franchise Start-up Process



Stages of start-up began with the contemplation stage in which business owners pondered over the notion of franchising their business. In this stage, they sought information and advice to support their decision to either franchise or expand conventionally. The next, the scoping stage, involved a feasibility study and small business adjustments. For business owners, these minor changes demonstrated how small adaption to the core business improved the franchise prospects. The third stage was the planning and design phase, in which systemisation and documentation occurred. The final stage was the implementation stage and involved franchisee recruitment and selection. These stages are described in further detail next.

### Stage 1: Contemplation

#### *Information Gathering and Advice*

In interviews, participants were asked, “What was involved in deciding to franchise?” Responses indicated that during the contemplation stage, the business owners generally gathered information as part of deciding whether or not to franchise. This information gathering occurred because for most business owners, franchising was a new concept, and they had very limited knowledge on how to undertake franchising. Information was gathered from a variety of sources including franchise professionals, financial advisors, solicitors, franchise expos, other franchisors, franchise associations, and franchise seminars, as well as from reading books, articles, magazines and websites. The following excerpts illustrate the variety of information sources that business owners used when they were still prospective franchisors.<sup>3</sup>

*SF1: I think I might have read a book on franchising, a self-help book. I mean, I had quite a library of self-help books that [were] relevant to study, and that's what kind of pushes you into learning these sorts of things.*

*SF4: I think it really was a case of working with the franchise solicitor, because I think he was my first point of contact, and I went to him and I said, “Hey, I'd like to franchise my business. What do I have to do?”*

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<sup>3</sup> Successful franchisors were coded SF and then given a number of 1 to 22. Ceased franchisors were coded CF and then given a number of 1 to 17. Nascent franchisors were coded NF and then given a number of 1 to 14.

CF11: *So we went to a franchise coach and attended the franchise expo to see what it was that people were offering and how franchising actually worked. We attended the seminars at the franchise expo, which was held in Auckland.*

NF7: *Er... Just... A lot of it was just sort of going on the internet and seeing what was out there.*

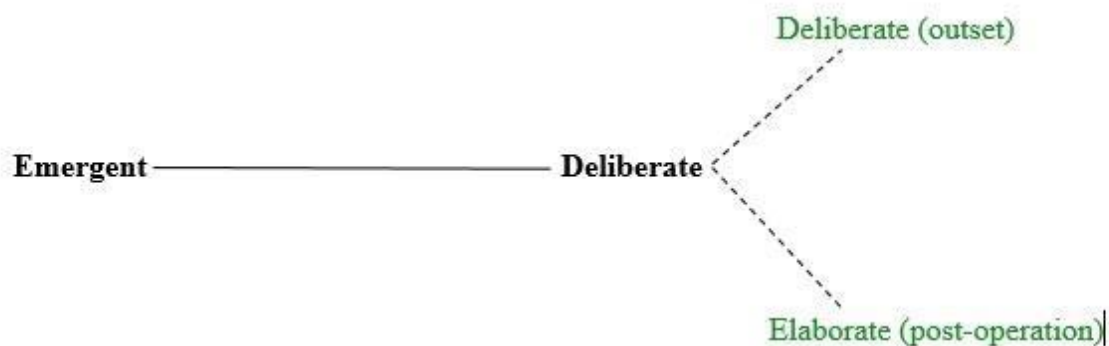
NF2: *We read ... there [were] a few articles in the franchise magazine, which was quite good, we just read through those, and most of it was with the lawyers actually.*

The excerpts above are representative of the variety of the ways business owners found out about how to franchise their businesses; talking to those who had done it themselves, looking on the internet, and getting legal advice were all examples of starting points given by these prospective franchisors.

#### *The Decision to Franchise*

Results showed that the decision to franchise could be placed into two categories: emergent and deliberate. As Figure 4 demonstrates, the decision to franchise took place either from the outset (deliberate), or it was decided after the business had been established (post-operation).

Figure 4: Decision to Franchise



The emergent decision to franchise occurred when business owners were asked if they would consider selling a franchise; prior to that, franchising was not considered. For the majority of franchisors, the strategic decision was deliberate with accompanying strong rationale for choosing the franchise model. The decision to franchise from inception was a strategic endeavour to launch the business and subsequently launch franchising. Although the business model was designed with

the long-term plan of franchising it, in some cases franchising was not realised until years later. For those that did launch soon after business set-up, the final stages of business refinement and strategies were implemented concurrently.

Some franchisors did not consider the franchise model when establishing their business; instead, these business owners (who had been established for some time) wanted to grow and strategically chose franchising as their method to expand. Table 9 shows the frequency of each type of decision to franchise that occurred across all groups. No specific pattern emerged, indicating that the decision type has no relation to the franchise outcome.

Table 9: Decision to Franchise

	NASCENT	SUCCESSFUL	CEASED	TOTAL
Emergent	1	1	3	4
Elaborate (post-operation)	9	14	11	35
Deliberate (outset)	4	7	3	14
TOTAL	14	22	17	53

### *Rationale for Franchising*

The predominant reasons underpinning the rationale to franchise for all three groups was: strategy to grow, invested interest from franchisees, capital injection. These motivations mirrored the common reasons why business owners choose to franchise, namely resource scarcity and agency theory (Combs, Michael, & Castrogiovanni, 2013; Gillis, Combs & Ketchen, 2014), that were discussed in Chapter 2.

### *Stage 2: Scoping*

#### *Feasibility study*

Results showed that during the scoping stage, participants often conducted a feasibility study prior to franchising upon the advice of franchise professionals. These studies researched the marketplace, assessed competition and financial feasibility, and uncovered the cost of developing a comprehensive franchise format. These following excerpts illustrate the detail involved in ensuring that the business model was suitable for the franchise format.

SF13: *In 2006, we were backwards and forwards to Auckland meeting with franchise consultants, franchise accountants, things like that, how we were going to do it, working with them—they talking back to us, doing feasibility studies, etc.*

SF12: *We tried to do some feasibility work with the financial consultants. Like I said, the absolutely critical thing is that you work out what your market is and do that market research to find out how many people are going to come on as franchisees.*

NF13: *Well we engaged [consultant's name] in Auckland, they did the feasibility study. I've got a, sort of a-hundred-weight of documents here, in terms of doing the initial feasibility study [...] the feasibility was based on demographics, it was based on our own performances, and was put together with consultants that delved relatively deep into why and how.*

Many franchisors justified the expensiveness of feasibility studies as a form of insurance to minimise unnecessary future expenditure, as these excerpts illustrate:

SF15: *I'd be more likely to spend 50 grand on a feasibility study, rather than fifty grand on a manual. Yeah, just doing that research, no point in wasting money in the future on something that won't work, aye, spend some money now which may save you in the long run.*

CF13: *So we did a feasibility study—basically a study on the concept, to see whether that was a viable concept or not. That's even prior to planning the franchise itself. The feasibility would have been given, you know, a major, major amount of importance.*

The above excerpts also illustrate that not only were the financial aspects justified, but the feasibility studies were positioned as significant, even above any documentation. It gave franchisors assurance that they had a high chance of success.

### *Changes Prior to Franchising*

Many franchisors, from all groups, undertook a degree of preparation, often involving changes, prior to franchising. To fit within the optimum franchise conditions and to facilitate the establishment of a strong brand image, many franchisors had to reconsider their business name,



marketing material, logo, colours, and slogans. The following excerpts are representative of the changes they experienced.

SF13: *We started looking around, talking to people. We got our company name protected, the logo at the time was an old one but we still protected that, so then we protected the name. We got that done first so that we didn't go spending a whole lot of money and then figure out that someone else was already doing the same thing at the same time. We protected the 0800 number yeah ... so all this was going on first you know, that was a bit of a challenge, took up a bit of our time too.*

NF14: *Before we started we made a whole lot of systems and ways of doing things properly, and kept trailing and testing ideas. This took up a bit of my time.*

For some, the business structure also required change prior to franchising. This adjustment was evidently challenging for the business owners as they progressively realised that franchising required alterations to the core business or the previous ways of operating. The following excerpts illustrate this experience.

CF13: *The one we were operating under was called [business name]: that's the one that was designing the equipment. [Franchise name] was really going to be the face of the franchise, so we had to do some work around that. So that was a bit of a change. You know, we purely did that to franchise. I think I was okay with that. It was a bit hard though in many ways.*

CF17: *We also realised we needed to turn all our sites, the seventh bakery sites, first into basic cafes which were generally baking in and serving in as well, sort of thing ... do you understand that? So we didn't need to do that before franchising.*

SF18: *The control platform was not really ... it was very complex; it was not really designed for what I wanted to do. It let me control screens remotely and put things on screens and whatever I wanted to do, but it wasn't really what I wanted. I knew I wanted it specific. I was going to build a franchise model and I needed to have scalability, I needed to have repeatability, I needed to have it simple to operate. So we built a skeleton around the platform, the design that we wanted. It was definitely very much a bespoke control platform.*

The comments, “*we didn’t need to do that before franchising*” and “*we did that purely to franchise*” illustrate the changes that occurred solely as a result of franchising. Had business owners continued to operate conventionally and expand in alternative ways, the challenge may have been less confronting as there may have been less change required.

### *Finance*

In order to franchise, a number of franchisors had to secure capital. Franchising, and in particular the legal aspects and documentation involved, required significant funding. Hiring professionals was also considerably expensive, costing some franchisors in excess of \$100,000. However, those who considered themselves more competent wrote their own documentation and thus required less initial capital. The following excerpts illustrate the financial challenges associated with franchising the business that confronted most business owners.

*SF19: Capital’s always an issue, you know, you’ve got to find money. We funded a lot out of our own pocket, but there comes a point where you can’t do that anymore, as you grow, so you’ve got to look for either investors or bank support, and the bank will only go to a certain level. So that’s kind of an ongoing challenge which I think every business has unless they’ve got a rich daddy behind them or something.*

*CF3: Well, we spent a huge amount of money with the guys from franchise consultants so we had a road map for how we approached the selection of the franchisees, the pricing around it.*

*NF7: The biggest, the scariest part really, was just the amount of money that you had to spend to get it done properly.*

To resolve the financial challenge was far from a linear solution. Many franchisors had to secure funding from banks, lenders, and personal investments, while others used their personal assets as forms of security in order to obtain enough funding to adopt the franchise format.

### *Stage 3: Planning and Design*

Planning the franchise involved a process of having strategic objectives, systemising the business, and creating documentation.

### *Strategic Objectives*

In order for the franchise to proceed, to some extent, there were some initial thoughts given to strategic objectives for the franchise. Franchisors from each group reflected on what they envisaged for the business and what their key aims and objectives were by franchising. The following excerpts are representative of the deliberation involved for franchisors in establishing their intentions and in establishing the purpose franchising would serve within their businesses.

*CF15: So we sort of sat down and had sessions where we sat down and said what are the objectives, what do you want to achieve?*

*SF7: You know, "What are our objectives? We want to grow to this size as a business. We want our customers to have this sort of satisfaction rate with, you know..." And from each of the four or five things we wrote that we wanted, they each had a critical success factor: "What would that look like? How would I measure that?" Right, all the way through to then saying, "What are the key things that we must do?"*

*NF11: We had an aim of rolling out 15 franchises over a five-year period throughout New Zealand, concentrating on the major centres first, in other words Christchurch, Wellington, and Auckland, being the three biggest ones. The objective was to set up the same shop in each of the 15 areas or territories that we identified.*

Although illustrative of the consideration for the franchise objectives, these excerpts also suggest that, despite progressing to the later stage of planning the franchising, many franchisors were still trying to establish exactly what they wanted to achieve by franchising. It was in this later stage that many franchisors began to think this through.

### *Systemisation*

In order to duplicate the parent business and be able to train and educate the new franchisee on all operations, the prospective franchisors required a replicable method of operation for their businesses. They began systemisation by considering the parent business and determining if the system that was currently in place was readily executable and reproductive. In some cases, prospective franchisors recognised the need to either simplify or set up a more comprehensive system before commencing franchising, as the following excerpts illustrate.

CF2: *So before we went out there, in the planning stage, it was very much just a case of making sure we had our own system in place.*

SF17: *I guess we looked at it, we approached it in two stages, and this is probably more subconscious than a conscious decision, but the first step was to establish a system that would operate in our first store.*

NF3: *We want to take that system, what we've got, and implement it into other areas and help other people, and make what we're doing—basically show other people the system, which is basically what franchising is all about.*

These excerpts represent the conscious effort made by all franchisors to ensure that their businesses had structures that were replicable as a sustainable franchise model.

### *Documenting*

Participant responses indicated that document creation required a degree of planning and significant time investment in terms of either writing the documentation or attending meetings with consultants. Document writing compelled the business owners to think about themselves, their businesses, their objectives, and how they desired franchisees to behave and operate. The business owners had to consider how they would advertise and how they would set up territories for franchisees as well as their financial plans.

However, there were some cases where document writing was done either after the first franchisee came aboard, or at the same time the first franchisees were starting business. These franchisors exemplified the latter predicament below:

SF20: *Well some of those things happened, not before the franchisee came on board because that—because the franchise—the first franchisee we got, we weren't expecting it to be, happen at that stage. It happened far quicker than we were anticipating. So though all of those things haven't [sic] been put in place before that franchisee came on board, we had to start putting together those procedures fairly quickly.*

NF3: *Document writing? Slowly, because there are more things, there's a huge list and unfortunately I'm at home so I don't have all that information and a lot of that is at work,*

*but there's a big list of information that I should be doing and just something will come up, and then something else comes up that you need to concentrate on, that then you put that down and get back to it. But now I'm almost at that stage where I have two franchises up and running with my second one beginning this weekend, I may be able to go back and concentrate on things for this, and also once a month we tend to do this rather than the summer months.*

These excerpts show how many franchisors were challenged by the time restrictions of document collaboration and how obtaining franchisees faster than anticipated added to the challenge. When this occurred, franchisors were in a dilemma of juggling both time-consuming and multifaceted aspects of franchise start-up.

#### Types of documents

There was a vast number of documents produced by business owners and consultants. The documents produced included confidentiality agreements, franchise proposals, disclosure documents, operations manuals, franchise agreements, sales/supply agreements, termination agreements, training manuals, marketing documents, sales manuals, brochures, and documents outlining the code of practice and ethics for the business. Franchisors from all groups considered the franchise agreement, the disclosure document, and the operations manual to be the most important documents. These three documents covered key legal aspects as well as the day-to-day operations of the business.

#### Importance of documentation

Various levels of importance were placed on documentation, some franchisors from all groups considered the long arduous process of creating documents to be essential, believing that the documents were entwined and embedded in the organisation. Many franchisors perceived that the documents gave the business legitimacy and presented the tangibility of the franchise, while others felt that the documents *were* the business, in so much as these represented “who they were.”

The following excerpts illustrate the immense significance franchisors gave to documents.

Documents were described as “critical” and as highlighting the perceived tangibility of the franchise.

*CF3: Oh they critical. We—we—I think that was—for us they were critical. Without a document, without a detailed business plan and without a detailed methodology of the work that we did and so on and so forth, I didn't think there was any, there is no real franchise. That was where the value, that was what the customer i.e. the new franchisees were buying.*

*SF12: At the time, absolutely critical. They were to be the culture, the vision, the everything of our business. We placed massive importance on them [documents].*

*NF14: Oh well they're probably 90% of the business. [...] Well, without them you can't operate a franchise—without legal documents—they form the legal basis of the franchise.*

In contrast, there were also a number of franchisors from all groups that considered the documents to be insignificant. These franchisors considered that documents were just fulfilling a basic requirement of franchising and, in fact, some franchisors even expressed frustration at having to do the arduous process for documents they considered would receive little use. The following excerpts illustrate some of the negative undertones associated with document creation.

*CF12: Truthfully, not a huge amount, you know I—my philosophy was that I will judge people on face value when I meet them. I've been recruiting and interviewing people for doing the job for many years, you know, employing people myself. So I've based it on, you know, on that.*

*SF13: Oh very little, yup, absolutely very, very little. [...] Because nobody—everybody just puts them under their seat and never looks at them. The only time they'll look at something is if maybe you use them, if you've got a breach, you know. You might write a wee email saying, "Look Charlie, you're in breach of... Realistically, you're in breach of point 1 of the franchise agreement, which refers to bloody chapter 3 of the manual. You shouldn't be doing that."*

*NF3: I feel like it's just something you need to have to have. Because most of the people that we're dealing with obviously they're male, a lot of them are going to be self-employed, probably most of them won't be employing staff, and if they do, it'll only be for a small business. And I think because of the nature of what we do, I think it's more overkill and*

*maybe that's why I haven't put much importance on it. I'm not saying it's a waste of time, but it's almost like for me you never seem to use the—we never look at them.*

Despite the low level of importance these franchisors placed on documents, they were a compulsory feature of franchising. Mostly, the document writing was collaborative and done through an iterative process, gathering and sharing information back and forth between the professionals and the franchisors. This involved numerous meetings and interviews. The following excerpts illustrate the collaborative nature of document creation.

*SF9: That was the lawyer and myself over a six-month period. So I started with it, and then I applied our stuff to it, and then it went back, and then it went back and forth over about 6 months.*

*CF2: That was definitely a collaboration between the two of us because obviously he needed to know a lot of statistics, you know, things in the contract. They're very much—well you can put anything in a contract you like really. He didn't just give me a contract and say, "Is this what you want?" No it wasn't.*

*NF9: We came along every week to give information. Like, we had to write a whole history on ourselves, what we'd done during our lives, what businesses we'd been involved in.*

The extent of franchisor input varied depending on the franchisor's ability, confidence, knowledge, and perception of professional input. Some franchisors wrote documentation almost entirely themselves, while others were content to take a more validating role. The following franchisors' excerpts evidence the high level of input that some franchisors had in document creation.

*CF16: Yup. I went and talked to so-called franchising experts, who quoted enormous amounts of money, enormous amounts of money, to help franchise, you know, for them to [unclear] and franchise the business. I had a look at it and thought to myself, "Well what am I paying for? I'm paying for an agreement which I can copy from somewhere else, and I'm paying for someone to write a business plan, I guess," which was what I did for a living, "and I'm paying for someone to systemise my business," which I'd already done.*

*NF4: I actually insisted that I had more input. I know they wanted to... I think they knew when we're going to go with them for developing the franchises. The consultancy company was thinking, you know, it was going to be \$100,000 for them. At least half of that was stuff I worked on, so I negotiated with them to check I was writing the manuals so that they could review them, but I wasn't going to pay for them to write them because I had already written them.*

*SF19: So yeah, we took a couple of months to write that. Um ... because professional people, like lawyers and things, are good at the legal side, but in terms of the hands-on practical side, they've got no idea. And so you've got to, when you own a business, it reflects you and your thinking. If you get it right, it will work, and if you don't, it won't. So ultimately if it's to be, it's up to me.*

These excerpts also demonstrated the importance that some franchisors placed on being the primary or sole creator of the documents. The professionals' services were not needed to the extent that others required.

#### Professionals' Involvement during Documentation

Professionals were involved to varying degrees in planning and developing franchise documentation, while there were cases where professionals weren't used at all, as illustrated above. Some business owners found working with professionals challenging due to their perspective that professionals' documentation failed to match their unique business models. The underlying theme expressed by franchisors was professionals' failure to fully comprehend their unique operational features and culture prior to documenting, and instead professionals merely used templates that were to suit the franchisor's business. This challenge, illustrated in the following excerpts, was attributed to professionals' failure to comprehend the unique features of the existing business.

*NF8: You know, and I could see that there was a bit of cut and paste because, you know, it wasn't relevant to what we were doing at all and so it was something that he'd had as a similar template in a way, and laid it down over our plan, or laid our plan on top of that.*

*SF16: Just to get them [franchise consultant] to truly understand who we were as a business and the way we operated, you see, I don't think they really grasped that.*



*NF5: We had to sit down and go through the whole process again and rewrite this stuff, and you have someone there who thinks they know what they're doing but doesn't understand the industry that we're in fully. Now, I don't expect all consultants to understand every single business that they're doing, but they need to take a hard look at what they're trying to sell.*

*CF17: Talking about understanding the system that you're using for your business now before you franchise it, and knowing that the person that you're going to pay all this money to understands that that's your system and that's what you want franchised, not trying to adapt some other franchise system they've got to suit your system, if you understand that.*

Numerous franchisors felt they should have been given more advice about what franchising entailed, with franchisors expressing that they were not informed of the potential changes to or impacts on their roles, daily activities, or the changes to their original business. There were others who even expressed they were ill-informed by way of not being advised of potential pitfalls due to professionals not wishing to discourage franchising and potentially lose clients. The following excerpts capture the experience of the franchisors who felt this way.

*SF8: See, they were just so interested in franchising our business, which, of course that's why we hired them, but they didn't stop to see if we were ready or what we should expect. I think they were scared they would put us off the idea.*

*CF2: Yeah, I wish the consultants had been upfront from day one, you know, I don't think it would have scared me off, I just think well at least I knew what to expect, aye.*

The word *scared* indicates franchisors' interpretations that professionals feared losing their clients if they were upfront regarding all that franchising entailed. Yet, as CF2 pointed out, this would have been informative rather than disconcerting.

#### Stage 4: Implementation

The implementation stage, or the act of setting up the franchise, predominantly involved advertising for franchisees, selecting appropriate franchisees, and training franchisees. The following excerpts of franchisors' responses explain this process in further detail. The underlined excerpt phrases highlight the steps undertaken in the implementation stage.

SF10: *We also advertised in the local papers and also on business-related research. Um, we also get enquiries and our system falls in place which is implemented by the franchise consultants. You get the inquiry, that's stage 1. You get a little plough back, you go to stage 2, which is stage 2's uh, draft, properly the franchise agreement, and stage 3 is meet with them and answer any questions that they have, and they're going to the lawyers, to the accountants, to the franchise association and then, there's process of that they decide to become a franchisee and um, they enter into the training of them. Becoming a franchisee, which is a process of 6 weeks of practical and with either existing franchisees or one of our [unclear] and then I spend 3 weeks with them on-site, and help them set up the office, um, teach them how to give quotes, show them the software that we use, which is QuickBooks, show them how to give quotes using our design, it's just me to meet potential clients (builders, housing companies), make a launch and get right into it.*

CF4: *Then after the disclosure document comes another, third, telephone call. That's for an interview to see if you get on well together, and then from there there's the formality of the purchasing and the clearing of the cheque. Then it's training, which would be about 3 days out in the field. In this case, it would be Central Otago up at the mount, the beautiful lakes, etc. So that's the series of events. I would say it's a 4-step progression because you've got your information booklet, disclosure document, interview and then it's the training. So that's a 4-step progression for each franchisee that comes in.*

The detailed stages described above are broken down and explained further in the next sections.

### *Recruitment and Selection of Franchisees*

Advertising for franchisees was predominantly done through New Zealand franchise magazines, through advertising on the business's website, through business listings on popular web pages, and also through recruiting business brokers to sell franchises.

Recruiting franchisees involved a screening process to ensure that the most appropriate franchisees came aboard. One franchisor explained how it was not simply a process of selling a franchise to the interested party; there was a little more involved.

SF15: *We went out and found out franchisees in that area, so, it was as simple as that really. I mean it's not simple to take on a new franchisee, it's a matter of weeding out the right person and you know putting them through a fairly rigorous interview, and you know, our considering their abilities and shortfalls and making decisions.*

All franchisors gave potential buyers general franchise information, usually in the form of an information booklet. If the franchisee expressed further interest, a non-disclosure form was signed prior to a face-to-face or telephone meeting to disclose more commercially sensitive information. When the franchisee was fully informed and wanted to proceed, the franchisee was encouraged to take all documentation to the lawyer for approval. Once the legal aspects were approved and exchanged between both parties' lawyers, then the franchisee would sign the franchisee's agreement and organise a start date.

### *Training*

Franchisees needed training prior to operating their franchise independently. Training involved a process of educating the franchisees on full operational procedures, legal requirements, and obligations. Often the franchisor would work alongside the franchisee for a week or more until the franchisor was confident that the franchisee was well-equipped to operate solely. The following excerpts are representative of most franchisors' consideration to the importance and detail required in training their franchisees.

CF4: *The training of franchisees is probably the most important part because that's where we talk a lot about relationships with customers and friendship.*

SF3: *So all the franchisee had to do was get himself armed with a computer that had our accounting package on board, all right? And effectively everything flowed from there, because the training was undertaken with my support. I worked alongside that guy for probably the first 18 months, physically out doing the hard yardage with him, so that he got a full understanding from me as to how the business ticks. That was right from doing the nitty-gritty, the hard yard stuff, to doing the business side of things, doing the accounting, to doing the quotations, to liaising with the clients, going visiting the clients, discussing their needs and putting it all together for them.*

NF6: *And we signed our first franchisee about a month ago. And we have, you know, done advertising with him, we've done expo with him, we've trained him, we've trained him with all the aspects of the office work as well as everything else. And he's quite happy out on the road now. And obviously we keep on making sure that we have it right and he's getting enough work and everything else.*

### *Further Recruitment*

The next stage involved the ongoing process of continual recruitment and advertising for franchisees in the vacant territories, while concurrently managing the current franchisees, as the following franchisor explained.

NF6: *And we're now really ready to do, well next week, Christchurch. But again we have to start all the advertising again and making sure his franchise is still operating well and then advertise for new franchisees and screen them and train them, still monitor our new franchisee and make sure it's done and everything else is done.*

This excerpt illustrates the choreography behind the multifaceted process of managing current franchisees and operating the original business while recruiting and training more franchisees. This challenge was similar for many franchisors in this study.

### *Ongoing Relationship*

The relationship with a franchisee is a continual process, often requiring further training or support. Franchisors spoke of the challenges of managing these ongoing relationships.

SF13: *Are you familiar with the franchising circle of life, or love etc.? You just have to draw a circle and watch them go in and out of different moods, cycles. You know, they're totally dependent on you, then they think they can go and do it on their own, then they go and land on their bums, then they come back again. You know, he's in a "he loves me" cycle at the moment, because all these things that he needs to do, it's like, either the penny's dropped or he's got a really bad memory, because stuff that we've been trying to get him to do from day one. But now, he's all of a sudden got the confidence, maybe, to do it.*

This franchisor's experience was consistent with the experiences of the majority of franchisors in this study. Managing the interdependent relationship was clearly a challenge for many.

## Conclusion

The chapter described the three groups of franchisors in this study. The franchise start-up process and the typical stages that formed part of this process were also discussed. It outlined and discussed, citing specific examples, the four main stages of start-up that emerged from the franchisors' stories. The analysis of franchisors' stories showed the first stage was the contemplation stage, where information and advice gathering occurred as the business owners reflected on the possibility of franchising their operation. It also showed that the decision to franchise can be emergent or deliberate. Some strategic decisions were made at the beginning of the business development process and others were made once the original business had been operating for a few years. The second phase that emerged was the scoping phase; this stage involved looking at finance options and undertaking a wide-ranging feasibility study that included looking at the suitability of the original business operation for franchising and considering adjustments to plant and practices that would make systematising easier. The third stage was planning and design. Here, the prospective franchisor engaged in systemisation of their operation, documenting their operation and seeking professional input to guide this rather iterative process required for franchising. The design of documents and packaging for the franchise operation (e.g., logo development, letterhead, colour schemes) often required some form of legal advice. The final implementation stage involved advertising and recruitment, training, further recruitment and developing a relationship with the first franchisees.

The next chapter focuses on the two stages in this process that comprised the biggest part of the overall process: planning and implementation.

## **CHAPTER FIVE: FROM THEORY TO PRACTICE: THE FRANCHISE EVOLUTION PROCESS**

### **Introduction**

The planning and design and implementation stages absorbed the biggest proportion of time over the start-up phase (3–4 years) and required the most financial input. This chapter compares and contrasts how these stages were experienced by franchisors from each of the three franchise groups. It shows how these stages were often conflated and reveals how the franchisors made sense of what was a complicated entanglement of strategic planning and practice.

### **Planning the Franchise**

Franchising requires a degree of preparation and forecasting (Watson, 2008). Therefore, it was not surprising that franchise planning was evident in all start-up narratives, although the amount evident varied considerably. What was also evident was how franchise planning was a considerable challenge for some business owners due to varying degrees of experience, knowledge, and appropriate advice, while there were others who enjoyed the planning process, and it came naturally to them. There were cases where planning couldn't be completed first, because franchisees came aboard before planning was finished or before planning had even really progressed. Despite these differences, there was no distinctive pattern separating the different groups, as each contained participants who undertook different planning patterns.

Franchisors quickly realised the urgent need to have some deliberation on potential pitfalls, legalities, and operational procedures in order to be able to train franchisees and also protect themselves and their enterprises. Had they not had the sense of responsibility—of being answerable to those who had parted with cash, for the legal aspects, or for having to train franchisees—then franchisors with limited planning throughout their life or business experiences may have continued such a pattern. Equally, the fact that hired franchise professionals actively included the prospective franchisors in a formal planning process, or, for those that worked more independently, that they still were forced into some prior planning by creating the documents, as they were forced to think about how the franchise would operate.

## Limited Planning

A number of business owners from all groups considered that they did very little planning. They made sense of this absence by describing their processes as a form of trial and error. This meant that these business owners would attempt an idea, and if it worked they would proceed, or otherwise attempt another alternative. The following excerpts illustrate this experimental process:

*CF8: Well, I kept trying to say we didn't plan a lot. It was just making decisions as we went.*

*SF14: Um... you see, I feel as if I did a lot of hit and miss. I don't think that I was told enough, it was partly my fault as well I suppose, of how to plan or what to do. And so it was sort of hit and miss: "try this, that doesn't work, try this, oh, that doesn't work either" or, "that worked really well."*

*SF15: [sic] At the time I was going head first into everything, so I think that was, and then when, you know, you were asking me about the planning, and I look at it, really we did everything: "Oh let's do this, let's do that," rather than sit down and actually plan how we were going to do it. So it's made it quite tricky for me to answer the planning questions because we didn't really have a huge lot of plans—a little bit hit and miss, you know.*

*NF14: It was very much, as the need came along I actioned it, rather than having a big plan and ticking it all off before we started.*

*CF11: We kind of just went with it. And we didn't plan it that well. So—um—it really wasn't that structured—you know. We just—we had done the forecast. Planning was really just looking at the forecast of—you know—and doing all of the numbers.*

Some franchisors experienced planning as an immense challenge. They lacked the skills and knowledge required to plan and often did not have a clear idea of what they were trying to achieve. The following interview excerpts illustrate how this challenge was described:

*NF7: It was pretty hit and miss really. There was a lot of investigation, but there wasn't really a lot of planning, mainly because I didn't quite understand what it was I was planning.*

*CF12: Well you see we thought at the time—because we’d run the business ourselves we thought we knew; we knew what we were doing. But what we didn’t know what we were doing was how to run a franchise business.*

*SF14: So I didn’t do enough planning, but it was all because of ignorance.*

There were other franchisors who were experienced business operators, but throughout their business life had engaged in little planning; therefore, they did not bring a planning orientation to their franchise development process. These people characterised themselves as non-planners, preferring “doing” over “planning.” Consequently, planning was not given priority as an initial stage in the franchise development process. The following excerpts are typical of those who considered the planning requirement conflicted with their sense of self:

*CF1: Yeah, yeah, I’m not a great planner, I’ve got to say, and I’m not a great, you know, I shoot from the hip. I am a little different and possibly a little unorthodox, compared to the modern sort of very structured, accountant-driven type businesses, or strategist-driven businesses. I am a little unorthodox. I’m quite loose when it comes to where we’re going next.*

*SF11: No, we, you know, actually I’m the sort of person that just you know, if we’re going to go, if we make a decision in principle to go with it, we go with it, even though we haven’t necessarily formed all of the, you know, nitty gritty, let’s just, at some point you’ve got to go with it [sic]. Because if you sit around waiting to kind of get all the t’s crossed and all the i’s dotted, then sometimes you can be waiting around forever. And sometimes you’ve just kind of got to go with it and see which direction the bus goes, and I guess that we weren’t ever necessarily fixated on it having to be this, that, or the other.*

### Detailed Planning

In contrast to those who experienced planning as something that was at odds with their sense of self, other franchisors placed high importance on the initial planning stage. Planning was undertaken with ease and resonated strongly with these franchisors’ sense of self, both personally and professionally. The following excerpts reveal the “I am a planner” self-characterisation given by this group of franchisors:



*SF15: [sic] I'm, I was kind of a bit of a dot the i's and cross the t's sort of person and wanted to make sure that before we launched a franchise, that all of the systems were to my satisfaction, and you kind of, you never really get there. And I was mucking around and not getting, not getting there, and he just said three words to me once, and, no it was four words, it was, "just do it crikey!"*

*CF11: Hour upon hour was spent planning. That was important to me. Um...right through to designing and implementing a trial rig that was, you know, going to be, to take to the expo to show people what it is that we did. We did a basic marketing plan of where the money was going to come from. A basic business model was set up which really showed, um, if you put in this amount of effort then this is what you'll get from it.*

*CF6: Yeah, um so it was really well planned in terms of phases of growth, in terms of how it ran, what we had to do to. We were very clear on the steps required to get the franchise operation model up and running. On the, so yeah we had ah, for every part of the operation we had franchise marketing plans and franchise fails plans. We had, um, franchise support plans, we had franchisee training plans, we had, um, yeah, very clear project plans for every single part of the operation. This was just something that I enjoyed and really pushed to do thoroughly. Always have planned like this, and always will, you know.*

*NF8: The planning we did really well and it was a natural progression. We obviously, we sat down with this pen and paper and talked things through and worked things through but, in terms of the setting the franchise up, we knew exactly what our costs was [were]. We knew exactly what were the costs for the product. We knew exactly what we were prepared to sell onto franchisee, whereby we would make a good return but he would also make an excellent return.*

These franchisors brought their natural abilities and planning tendencies from their other experiences as business operators into the franchise arena to create a rigorous, intensive, and thorough franchise development process. It was interesting that these franchisors, like the reluctant planners, were represented in all three franchising groups (i.e., ceased, nascent and successful).

## Planning in Action

Although all franchisors' narratives revealed some initial planning was undertaken, it was clear that franchise planning was by no means a process separate from implementation: planning was continuously entwined with implementation actions throughout all stages of the franchise start-up process. This was so apparent that two participants in particular expressed frustration about how the researcher's follow-up questions treated planning and implementation as separate processes.

Below are their comments:

*CF8: I'm sorry, but you're asking me questions about planning, and then separate questions on implementing those plans. I can't answer it like that you know, because I guess I kinda [sic] see the whole process as the planning stage. I planned as I was doing the doing [laugh]. Don't know if that makes any sense.*

*SF14: I guess your questions are presumptuous, because you're assuming that we planned, then put those plans into action, but actually we did a little planning in the beginning. Most of the planning was actually done while I was setting this franchise up. So it's really hard that you're asking as if they are separate, when in fact I planned as I did it. Sorry to be quite blunt with you.*

Franchisors' interpretations of the planning, including the theories they reported applying, revealed their start-up experience as a very fluid or organic process where planning permeated the practice. Planning occurred either concurrently with action or as iterative cycles of planning and action. This was particularly evident as the franchisors progressed through their franchise development process. The following excerpts reveal in detail how the planning was entwined in the practice, although it did not occur like this all the time:

*CF11: We would spend three days on planning, then we would spend three days starting to implement the things that we had in [sic] planning. Then we would do more planning as we were doing things because we had a limited amount of time to then get it to the franchise expo [...]*

*CF6: No, yeah it was, ah, it was a lot of planning, work beforehand, yeah a lot of planning work, so for months and months. Um, and then everything basically started, and then the planning continued as the implementation was happening.*

*SF15: You know part of the process of getting a new franchisee established is, you know, selecting a suitable site and building a suitable show home. And so that, that's a planning stage which has been ongoing right through the life of the franchise business, as a franchisor.*

*SF20: Well, my view is that when you're running a business, you're planning all the time. There's always some planning for something going on, whether it's planning your marketing strategy, whether it's planning if you're going to open another store or, planning to, how to deal with suppliers and how to purchase stock. So it's, planning is not something, when you set up something, whether it's a franchise or any sort of business. You don't make a plan to start with, set it up and that's it. It's planning, it's full-time planning.*

*SF1: No, planning was definitely not a separate process. It was just a continuous flow for me. I suppose the idea formed in my head, and then I just got on with it. So I didn't kind of plan and implement, plan and implement. I just, it was just a continuous flow of planning while working to get that, to get all that stuff ready for the first franchisee, to be able to sell to the first franchisee.*

*NF13: So what I'm saying is that your day-to-day implementation is just simply what I would in inverted commas call "management." It's day-to-day decision-making, yup, whilst you're implementing a plan you're on the same wavelength.*

*NF8: Planning and action, well, they were both going on together. We were doing installs throughout um, visiting builders, and we were doing, you know, we were actually all about selling our product, installing our product, and at the same time, ah [name of franchise professional] was training us and exposing us to the whole franchising concept and working it through. And that was a six-week programme if we went through him, we visited him every week and would sit down and go over the whole thing with him. So they were going on together. We didn't sit down and make it a plan, and get everything in place and say*

*“right-o let’s go and do something.” We were actually doing the whole planning and the doing thing at the same time. Do you understand what I’m saying?*

These excerpts suggest that the franchisors experienced planning as constitutive of strategic practice, in that part of “doing” the franchise was planning. Planning was ongoing and entwined with strategic action, and it was this planning-while-doing that provided flexibility when making decisions and coping with unforeseen challenges.

### **Making Sense of Planning in Action**

All franchisors in this study lacked experience in setting up or supporting a franchise operation, so it was not surprising that this lack of experience was used as one reason for ongoing planning during set-up. As one franchisor said, *“How do we know exactly what to plan for if we don’t know?”* (SF1). This sense of venturing into or planning for the unknown is captured in the following excerpts:

*SF16: Initially, were were just selling off to the areas when we first started, and so we didn’t have any goals then, but once we got into it, then we did.*

*CF5: Um... Well, we did both planning and implementation together because, like, in the early stages, it was such a—you had this idea that it was such a fantastic idea, and everybody was going to buy a business, and they could do it part-time and then turn it into a full-time business. And you’re thinking, “How can people not want to do that?” But the reality was completely different. You couldn’t quite show your enthusiasm to people, and that was pretty much what it was.*

*CF10: Um... Yeah I guess it—planning and doing—was iterative. Part of that was because we’d never done it before and so we had to keep an open mind about what the final form was going to be.*

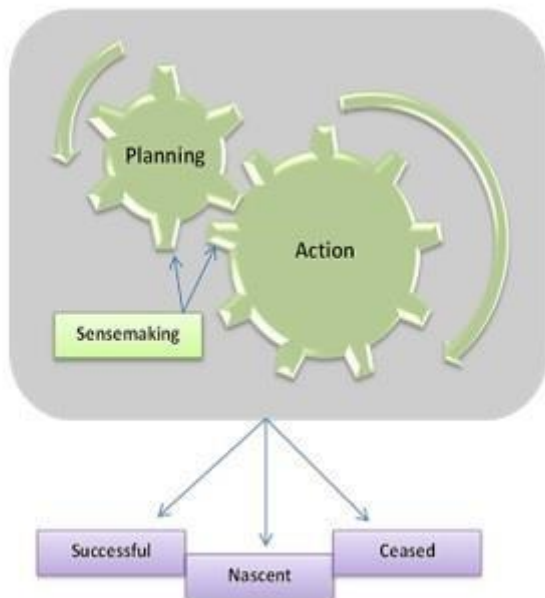
These excerpts suggest that lack of experience with franchising contributed to the lack of planning, but also played a role in how any planning was undertaken. At the same time planning was done, the business owner’s approach to planning evolved. The observation of CF5 captures this; he stated, *“but the reality was completely different.”* This comment suggests that with more knowledge, the planning process changed.

## Refining Plans in Implementation

Franchisors expressed the importance of being adaptable, particularly when faced with unforeseen events such as the economic downturn, when dealing with the human factor of having franchisees, when dealing with the lack of knowledge, when seeing a better alternative, or when adapting to additional advice. The evolutionary process involving acts of refinement was experienced as an iterative or concurrent process of ongoing planning, implementing, sensemaking, and refinement.

Figure 5 illustrates how new plans were continually being produced as a result of franchisors' strategic practices. The franchisor was in a continuous cycle of strategically planning and making sense of those plans while simultaneously enacting the plan and making sense of this enactment. In Figure 5, planning and action are illustrated as continuous moving cogs working in union together, and the “teeth” represent sensemaking. Without the teeth, the cogs would not engage with each other. This depiction of the process of franchise emergence places sensemaking at the heart of process. This constant cycle has been discussed in a number of scholars' findings, including the findings of Balogun and Rouleau (2011), who found that the practitioner's sensemaking is entwined in strategy practice and is at the heart of why subsequent changes occur.

Figure 5: Ongoing Cycle Strategic Refinement



The fluidity and ongoing nature of this process is captured in the excerpts below:

*SF17: So we spent a lot of time on planning, and then we implemented our pilot store, and began you know the trial and error, I guess, phase of that. And then went back to upgrading those systems, fine-tuning them and then doing another round of planning, before we actually opened our second outlet.*

*NF13: We sort of adopted a mind-set and a methodology of sort of testing and refining everything we do on a continual basis, whether that's a piece of marketing literature or a wall chart that goes up in a restaurant.*

*CF2: You plan, you review, you give it to somebody else to look at and make sure it makes sense, then you may have to amend certain things. So the process is really never-ending.*

Franchisors' narratives revealed an incrementally-gained comprehension of what was involved with franchising, which caused them to continuously refine their practice as they realised their lack of franchise experience and knowledge.

*Nf13: [sic] I just think that you've just got to, I think when you approach everything you don't understand the magnitude of it. As time goes on, and as you do more and more and you roll-out [launch of franchise], you realise there's more to it than, you know, they just use your name and your recipe. There's a heck of a lot more to it. There's a lot of research and development within the plan, you know, the way that you run your accounting systems. There's lots of additional things that you have to bear in mind, and um, so yeah, it's a degree of naivety because you didn't know that before, you didn't get exposed to it, and yeah, being a new franchisor—it was an eye opener.*

*NF11: So yeah, you're constantly adding to your plans, you know, revising them, because you hadn't anticipated certain things.*

*NF11: I think, as the roll-out [franchise launch] took place, I realised there was a lot more to it than what I initially anticipated. So therefore, you know, you'd make those changes and you'd make those additions to the, you know, to the plan, which you didn't know before. I don't know how many people go into franchising as a first-time franchisor and, you know,*

*hit everything on the head right from the start. You can make mistakes, but I think that, you know, you're naïve if you don't realise the magnitude of franchising—the amount of work that goes into it, even just, you know, how you go about running the franchisor office, all the things that have to be in place. [...] You think, “Oh, it's a simple process, it's just ABC,” but by the time you've finished, you know, you have EFG and H thrown in there with it.*

*NF13: Um, well, irrespective of how good your planning is, when you come up against the—when you find the reality of what you're trying to do is more difficult, well then, of course, your implementation is. You can't follow your planning. So you're always adapting your business model to what you think you can achieve. Just as I have adjusted my thinking now, with the realisation of the difficulty that I've got because I'm an old fart, as opposed to a young Turk, right, ha-ha. So you can't, there's no such thing as implementing a plan, it's not like building a house, where you need your foundations, your walls, and so on. If you want to speak figuratively about any business, yes, that is true. But the bottom line is, that if you're in business, quite often the guy who puts the walls up will turn up before the bloody floor's done. You know what I mean. And so if you're not flexible in your implementation, then you're dead in the water anyway.*

As these excerpts illustrate, many franchisors' experienced a continual learning process and a lack of franchising experience and knowledge. As mentioned in Chapter 3, all franchisors were new to the franchising concept; therefore, franchisors' sensemaking played a significant role in subsequent decisions and actions. Many franchisors discussed their underestimation of what franchising entailed. Therefore, as the realisation progressively dawned, franchisors made sense of the situation and adapted accordingly. Flexibility was noted to be key in refinement during implementation.

Some franchisors proposed that the process of refinement also affected the documentation. As the franchisors refined and created further plans, they reported that the documentation also needed to be updated in the implementation stages. Thus, planning and documenting strategic practice was also a fluid and continuous process, as illustrated in the following excerpts:

*CF6: [sic] Oh yeah, absolutely, it was a moving feat. So the training manual evolved continuously, so there was always something we could do to make it better and add things*

*in. For example, look to the training; so we might have given it verbally, um, it depends on the training that we hadn't documented, so there was a—yeah and as we worked through things and improved things, tweaked things, we were effective in the training next time around. The franchise marketing material, the proposition document, definitely changed as we grew. So it went from a, “this is a franchise we think will work, come on board,” through to a “we’ve got three franchisees up and running and this is what they’re doing.” So I guess as that evolved and grew, the documentation grew as we grew in size as a team, and did team photos and did things like that, so they were added into the documents as well. Um, yeah, they were really evolving and improving as we went through.*

*SF9: The thing is, um, that with building a business, and building a franchise, is nothing is set in stone. You’ve got to look at it as like a—it’s like a moving document that absorbs changes. So you know, I mean, you’d say right, we are going to do this, and then a week down the track you might change something. So it’s not set in stone, if it was set in stone then, you know, half the businesses wouldn’t work. You’ve got to be able to sort of have room to manoeuvre and make changes as you move. So that’s why, basically, analyse, implement if it works, it’s worked, okay what’s next? Analysis and then you know, move forward.*

Descriptions of document creation as “a moving feat,” “evolving and improving,” “not set in stone,” and changing “as we grew” suggest that franchisors were continuously making sense of the current situation and enacting this sense in a way that is consistent with Weick’s (1995) characterisation of organising.

### Sensemaking

The franchisors’ sensemaking was the fundamental inhibitor, or driver, of the strategic evolutionary process and how this process would evolve. How and why franchisors followed a particular endeavour, or why they would discard an idea or initiative, was entirely shaped and controlled by the franchisors’ sensemaking, as demonstrated in Figure 5 above. Sensemaking is represented by the teeth in the cogs, which link to and drive the cogwheels; planning and action can also change direction of the rotation, or, in other words, franchisors can choose another strategic alternative.



The following excerpts are representative of the sensemaking that was apparent in all franchisors' narratives when discerning what direction and what changes should be made, based on reflection and making sense of their actions and decisions:

CF5: *[Sighs] I don't know. I mean it, yeah I mean it probably has, but I'm not sure of the ways that I can articulate, because it, you know, everything you do will have a reaction on your thought processes and the way you do things, I would think. But, you know, it just does, doesn't it? So, you know, you try going and driving a new way from a to b and then you find out that it's actually a lot longer and the traffic's a lot heavier so gosh, you won't do that again, so you're modifying your thought process and your behaviour.*

CF6: *Um, you can't use a, ah, a circular thing, process, so we were always making a plan, acting on it, analysing it, reviewing it and then putting that in the plans as we move[d] forward. So it was kind of a—it wasn't really a plan which we had to follow without any thought process, so it was kind of a circular process, where we thought about it and reflect[d] on it. Would it work, is this a better way to do it, change it, you get what I'm saying?*

CF10: *We refined, by a sort of a process of iteration, we refined some of the operational stuff, and the pricing, and the actual package that they were selling, and the pricing and the commercial terms just got refined and tweaked a little bit. But, the whole time we were thinking about it, seeing how to do it better or differently, and changing bits as we felt they would not work or be redundant.*

SF21: *So it's not, I mean when I was at university I always used to think, "this must be a really rigid sort of structured process," and it was in the bank and that sort of stuff, I guess when you've got the time just to sit back and plan. For us, we're sort of working within the business as much as working on it, and so it's a bit of a fluid process. But it works, I mean we're forever—it's very dynamic, so if something's not working we change it quickly and move on. So we're constantly talking about it, reflecting on it. The thinking bit is where the changes stem from.*

These excerpts illustrate the ongoing nature of sensemaking (Weick, 1995) and how this nature was experienced by the franchisors as accompanying any adjustment or shift in direction. Statements such as “*everything you do will have a reaction on your thought processes and the way you do things*” and “*the thinking bit is where the changes stem from*” demonstrate the direct link between sensemaking and subsequent changes.

Sensemaking, planning, action, and adjustment was described as an iterative, circular process by these franchisors. Statements like “*so we were always making a plan, acting on it, analysing it, reviewing it and then putting that in the plans as we move[d] forward*” demonstrate this.

Sensemaking was at the very heart of this cyclic process, which explained why subsequent behaviour or planning happened.

## Conclusion

This chapter focussed on how the franchisors narrated the evolution of their franchising strategy. It revealed that although strategic planning may have occurred initially, all franchisors planned as they went along, in a way consistent with the notion of strategy practice (Whittington, 1996; Jarzabkowski, & Kaplan, 2015). Planning was inseparable from the processes in strategic practice. Furthermore, there was a continuous process of refining actions. Sensemaking was the key process driving plans, decisions, and actions. The start-up narratives revealed that franchisors planned as much as possible before establishing their first franchise, began implementation while making new plans, implemented further plans, and refined their actions; all of this was guided by their sensemaking.

## CHAPTER SIX: TO CONTINUE OR EXIT?

### Introduction

This chapter examines the factors the franchisors used to account for continuing or ceasing franchising. The first half of the chapter presents the primary factors that franchisors' narratives suggested contributed to franchise failure (i.e., the actions that they considered caused them to cease franchising). The second half then focusses on what the narratives revealed about why these contributing factors had the effects they did. Specifically, this part of the chapter addresses the rationales given for the actions or decisions taken (i.e., the sense the franchisors made of their decisions about continuing franchising). It concludes by presenting a clear comparison between the successful and ceased group.

### Provisional Nature of Franchising

Franchisors' accounts of their start-up experience revealed that the decision to start franchising and then either continue or cease franchising formed part of the overall business strategy. This is because those franchisors that ceased franchising still remained in business. They chose to return to operating a traditional business model only. Their accounts revealed that decisions to cease franchising were made after the initial planning stage, with most of those who made this decision typically ceasing franchising during the start-up stage (the first 3–4 years), and either the franchisees terminated the contract themselves or the franchisor decided not to renew any contracts with franchisees. The following franchisor's comment illustrates the process that many who terminate franchising undertake:

*CF7: I mean eventually what we are in the process of doing is we're in the process of disengaging with our franchisees. One we are finishing up in a few weeks' time. We have just elected not to renew their franchises that are coming up for renewal.*

The narratives also revealed that the outcome (to continue or exit franchising) was provisional and ultimately part of the strategic evolution. By provision, I mean that although some succeeded and others terminated, there were cases where the successful franchisors were planning retirement or change in careers and were considering closing the franchising aspect for various personal reasons. There were also some franchisors in the ceased group that were receptive to retrying franchising,

although most felt they would make changes to how they previously undertook franchising. The excerpts below illustrate the provisional nature of the franchise outcome:

CF17: *I would probably look at doing it differently. I've thought about this long and hard. I would probably do it differently.*

CF6: *Um, not, would we ever consider it? Yes. Um, ah, it's come up lately ... but I think at the moment given that it's been a few years since we, we, ceased franchising we're still a bit gun-shy. So whilst we understand a lot of what didn't work, we need to really think about it before we did [do] it again.*

NF13: *I'm now the wrong person to do it. So I'm 70 and I'm looking for somebody who can take my role, even if they just take it and run with it and there's no financial benefit in it for me. My motivation is to see it work, because I know that it can. Hopefully the new person would keep it going.*

These excerpts show that regardless of whether franchisors were labelled as ceased, nascent, or successful, ultimately some would consider withdrawing or replacing their role when personal situations changed.

### Explaining Decisions to Continue

There were two factors that explained the decision to continue with a franchising operation: alignment and hybrid identity. These factors will be discussed further in Part One and Part Two. In the interviews, the successful franchisors were asked why they had continued to franchise, and the ceased franchisors were asked why they terminated. Interestingly, the rationales the ceased group gave for their decisions to exit franchising related to the same challenges the successful franchisors reported facing. For example, both groups gave economic climate and difficulties with franchisees as challenges they faced that influenced their rationales for either continuing or ceasing. Equally interesting, the direct answers the franchisors gave for their franchise success or termination did not expose the differences between the two groups' reasoning. The successful franchisors gave the same reasons for continuing as the ceased franchisors gave for why their business was a good franchise model the reasons the successful franchisors gave for continuing reflected the ceased franchisors' explanation of why their business was a good franchise model.

For example, the franchise was a simple model and easy to replicate. Therefore, the direct answers the franchisors gave for their franchise success or termination did not expose the differences between the two groups' reasoning. Table 10 summarises the conflicting evidence.

Table 10: Excerpts Illustrating Franchisor Rationales across Topics

	Topic: Economic Climate	Topic: Franchisees	Topic: Business Model
<b>Immense Challenge</b>	SF2: <i>Well what happened was the economic climate took us for a bit of a ride. It was immensely challenging, we got through it, but it could have been a stumbling block.</i>	SF7: <i>Franchisees were intense, I mean the workload involved, what they couldn't do or wouldn't do, in hindsight it could have caused the whole franchise to fail.</i>	
<b>Reason for Ceasing</b>	CF2: <i>So we were trying to then sell franchisees a system, which was successful to us, to other people in a declining market in terms of economic market so that really stumped us, you know. We ultimately failed franchise-wise 'cause of it.</i>	CF17: <i>Well... franchisees' unwillingness to do sales, which I have mentioned already as well, but... I mean that's a key... You know, you really needed your sales system working well so that they didn't have to do sales and that was a key, you could say, failing. So we made it a choice to kinda [sic] stop really, stop franchising altogether.</i>	
<b>Reason for Franchise Success</b>			SF19: <i>Well we succeeded because of our sound business model. We have good people on board and just having a model perfect for franchising was really why we are successful today, you know.</i>
<b>Reason for Franchise Suitability</b>			CF4: <i>Our business model was just perfect for franchising, that's the thing. It really was simple, easy to duplicate. It was the winning ticket.</i>

Note. SF denotes franchisors from the successful group. CF denotes franchisors from the ceased group.

The analysis of franchisors' interpretations of their start-up experiences revealed numerous similarities across all groups. Franchisors varied in their level of planning and all faced challenges that brought changes to their businesses, despite planning. Most also faced financial hardships and many faced challenges with franchisees. Furthermore, demographic factors and other factors (including degrees of planning, industry types, business experience, professional input, importance placed on documents, and whether the decision to franchise was deliberate or emergent) did not predict who would continue and who ceased their franchise operation.

As mentioned in Chapter 3, the quest to identify factors that did contribute to whether the franchisor chose to continue or not involved carefully examining the reasons why franchising was chosen, how franchisors made sense of their experience in becoming a franchisor, and how they linked their interpretations of the planning and implementation processes to the decision to exit or continue franchising. This revealed two significant contributing factors to why franchisors continued or ceased: the alignment of franchising with the core business and the emerging identity dilemma. This study exposed that self-perception of "who one is" (i.e., self-identity) has a direct relationship on how franchisors act and how their actions reinforce this self-identity. When there is a conflict between self-identity and required actions, an identity dilemma occurs. Activity alignment and identity will be explained in greater detail in the following sections.

### Part One: Alignment

Alignment was the first of two factors influencing the decision to continue franchising. Alignment refers to the process of regulating managerial practices, resource allocation, and strategy practices in order that the franchising and the conventional business can operate effectively as identifiable but interdependent entities. Ensuring a state of equilibrium between the franchising aspect and the core business (alignment) was a contributing factor in the outcome of the franchising operation.

Franchising absorbs a significant amount of time, investment, resources, deliberation, energy, human capital and more, which can often come as a surprise to new franchisors. Because of this, and because franchisors did not factor in changes to the business and to their role, franchisors were challenged with competing decisions on resource allocation, managerial aspects, and strategic agendas. Lack of alignment triggered a disabling tension situation where both the business and the franchising required input, yet external and internal business demands and the owner/operator internal conflict drove inconsistencies and lack of collaboration between entities.

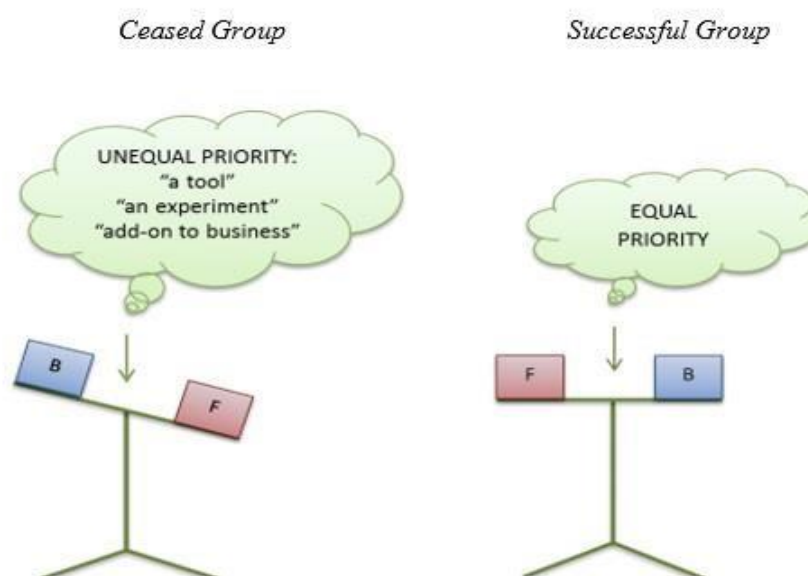
### Alignment Decisions

During the planning stage, and even in cases where the original core business was prioritised, there was generally extensive consideration given to the franchising aspect. However, as business owners progressed further through the start-up stages (outlined in chapter 3), they were increasingly confronted by alignment decisions. The successful group clearly maintained equilibrium between franchising and the core business in the five key areas, while the ceased group lacked balance and placed more emphasis on either the business or the franchising aspect. As the (now) ceased franchisors progressed further into franchising, the alignment between franchising and the core business deteriorated. Either franchising or the core business received the greatest input, until the lack of alignment had such negative impacts that withdrawal became the most desirable option. Figure 6 represents the unbalanced alignment decisions.

### Perception of Franchising and Alignment

The sense the franchisors made of franchising was directly related to alignment decisions. Aside from the common rationale given for moving to a franchise model that was used by all franchisors, there was a noticeable difference in the way the ceased and successful franchise groups made sense of franchising. The conflicting perceptions of franchising were evident not only in the very early stage, but also in all start-up stages. Figure 6 shows these conflicting perceptions between the way franchising is perceived (represented in the “thought cloud”) and the way franchising is prioritised or aligned.

Figure 6: Perception of Franchising



Note. F represents the franchise. B represents the core business.



### *Successful Franchisors*

The extent to which franchising was considered in the overall business strategy was a contributor to franchise longevity. The successful franchisors rationalised that in thinking about franchising with high regard, this would influence the level of energy exerted accordingly.

The following franchisors' excerpts illustrate this finding, which was apparent in all successful narratives:

*SF15: The way that we thought about franchising and structured it from the start, well, I think has made franchising a bit easier for us and ultimately has had an impact on our success. It's cause we just considered franchising such an important opportunity to grow.*

*SF2: I guess you need to ask yourself—or new franchisors do—what is franchising and what are you expecting from it. Is franchising just a way to help your business or do you look at franchising as—I guess what I am trying to say, is how do you see franchising, is franchising given the level of respect it deserves, your time and energy? You know, franchising to us meant something, it was important, you put your whole heart into it, right from the word go.*

The successful franchisors positioned their franchise operation as its own entity. It was not merely an attachment to the business; instead, it reflected the entirety of another establishment. Consequently, this had the impact of ensuring a high level of alignment, increasing the prospects of both entities. The following successful franchisors' excerpts represent this finding:

*SF19: Franchising is a whole 'nother business model in its own right, and that's the way we saw it, you know. I guess we had a level of respect for franchising and that it was more than just a means to grow, if you know what I'm saying.*

*SF22: I think it all comes down to the way you see franchising. Is franchising just there to help you get ahead or do you think of franchising as a model which deserves the same attention as the parent business?*

*SF6: Well it's another business itself really. It's not just part of your business. It becomes more than that. Well it should be anyway.*

These excerpts show the attitude successful franchisors had towards franchising. For example, SF19 used the word *respect* and SF22 used the word *deserves* when referring to how they interpreted franchising should be positioned. By so doing, they positioned that the way they saw franchising ultimately effected the franchise-business alignment.

### *Ceased*

The ceased franchisors' sensemaking of the franchise model was vastly different. Franchising was positioned as an add-on to the business, an experiment, and a tool for the business to prosper. The following excerpts represent those ceased franchisors that positioned franchising as an attachment to the core business:

*CF2: Our approach was, "We have a business, we have a great business, we have something that we can share with somebody else out there." We were not going in there looking at franchising as a way of becoming rich or setting us up for life. It was just a side-line of what our main business was.*

*CF15: Franchising was simply an extension of our existing business, so it wasn't like it was a life changing decision process; it was just another form of marketing as far as I was concerned.*

It was typical of ceased franchisors to characterise franchising as a tool or a vehicle to help the core business. Franchising solved a solution to an expansion dilemma; it was considered as a vehicle to achieve growth or as the means to market the business. Some franchisors' interpretations of the incubation stages, particularly, highlighted that this perception of franchising was evident from the outset. The following excerpts illustrate this finding:

*CF9: Um, I just thought it [franchising] was the next progression, and you know it was for me to move up that ladder [...] The aim of it, as I've said, to me really was it's a business vehicle, an investment vehicle. I count all my businesses as investments because they are financial strategies. So basically the goal with the franchising system was to get a number of franchisees on board and then sell the business if you like and that's my walk-away strategy.*

*CF6: We were building the area around us. And that originally was—the plan was to build our business, our model. And that was always the intention of building a franchise and/or franchise network around it.*

*CF4: So the objective of this franchise has been, always, to protect a group of people that are successfully using that trademark.*

*CF16: You know it's not, I mean, you say franchising, but 99% of franchising is just management. So it's standard business management, franchising is just an agreement, or a method for selling that business.*

These excerpts also support the conclusion that the different ways in which franchising was perceived by ceased franchisors inadvertently effected alignment decisions. Often naivety or a lack of understanding what franchising involved was the instigator for subsequent actions. The following excerpts illustrate this point:

CF12: *Um. [Sighs] I think that we looked at it through rose-tinted specs. I think that we, we [sighs], we stupidly saw it as an easy route to, to sort of sit back and let other people do the work and to raise the capital in order to expand the brand. I think that in hindsight that is a, that is a foolish mistake to make because actually if you're going to be successful in growing your brand you've actually got to work very hard at that and you've got to work very hard from a franchisor perspective.*

CF12: *I think that you know, I sort of went into it quite blind. It was just, it sounds, you know the numbers stack up. "It sounds like a great idea. Let's do it." I know that that probably sounds a bit extraordinary and a bit cavalier but it, it genuinely was, things just happened like that. And the...kind of the regret came afterwards.*

CF6: *And I suspect us being franchisor[s] wasn't going to work. Ever. Ever. And the thing was we were interested in the business more than franchising. So we were interested in building a business that had a wider range and service and that was our goal at that stage.*

Some ceased participants described franchising as “one of the options,” as “an experiment,” or as probationary. This apparent predisposition to not give franchising high priority was linked to cessation of franchising.

CF2: *You know, step by step, franchising was probably just one of the steps in our business evolution. And now that business has gone, what's left is the distribution only. It's just franchising was one of the stepping stones up hill. It was just one of the ideas, one of the options we looked at.*

CF10: *So we ended up deciding, you know, that it was an experiment that had not met its objectives and for various reasons the two that we'd kicked off had failed, and we decided not to—that we wouldn't persist with it. So we wound it up.*

C13: *From the beginning, we just wanted to be manufacturers and distributors of an electronic entertainment product. The franchise was an afterthought that we thought*

*would give us an advantage, but in actual fact, after we'd looked at it closely, we realised it was going to hold us back.*

As franchising was positioned as an experiment, the impact of franchise withdrawal was far less significant for those franchisors who failed to prioritise franchising. The above excerpts highlight this finding.

### *Nascent Franchisors*

Franchisors in the nascent group also varied in the way they made sense of franchising. Some nascent franchisors followed trends similar to those who succeeded, while others mirrored the ceased group. The following excerpts are representative of this point:

NF12: *It was to me, I wasn't that passionate about it, it was like a potential I thought might work.*

NF14: *Well no, it's an exit plan. As I said, it's a way to get out of a business and still have a cash flow. [...] Well you get your royalties. So you get your royalties each week from each franchise.*

NF7: *Right when I was deciding to franchise I thought, I'm not in to, to just sell franchises, I'm in it to see franchising and my business itself thrive. Franchising is not just a way to do that. Franchising is a great business model and so often it's just used as a way to drive your business forward. Well, you're not gonna [sic] get far thinking like that. Ha-ha.*

The three excerpts above are evidence of how the thinking differed between the nascent franchisors. The first two excerpts mirror the sensemaking of the ceased franchisors, as is evident when NF12 states franchising was “a potential I thought might work.” This is comparatively different to the excerpt from NF7, which reflects the thinking of the successful franchisors in that franchising is seen as more than just a tool to grow.

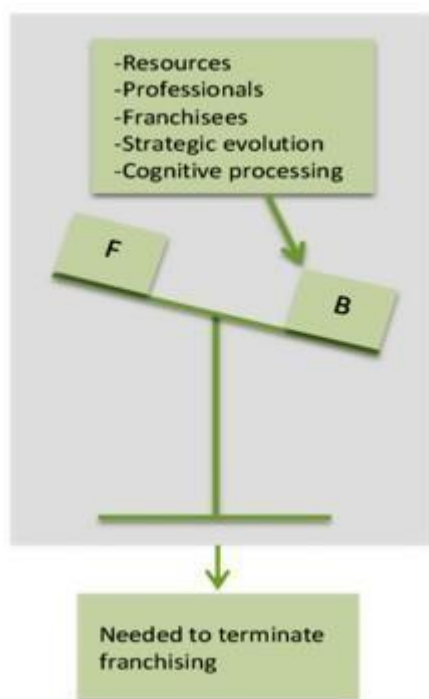
### *Aligning Franchising and Traditional Business Models*

As previously mentioned, alignment was one of the two factors that explained the decision to continue franchising. Each franchisor reported achieving different levels of alignment between their franchising operation and the original business. The following sections explain how alignment between these two parts of the overall business operation distinguished the ceased, nascent, and successful franchisors from each other.

### Alignment Imbalance

The ceased franchise group exhibited two different types of alignment imbalance: those that prioritised franchising over the core business and those who prioritised the business over franchising. Franchisors who positioned the core business as the primary focus and made sense of franchising as an exploratory or instrumental endeavour, their loyalty remained with the core business. In these cases, because the primary objective was to ensure the core business thrived, it was given precedence, subsequently depleting the franchising aspect of resources and input. This is shown in Figure 7.

Figure 7: Business Given Precedence over Franchising



Note. F represents the franchise. B represents the core business.

These franchisors spoke clearly of their lack of alignment. They were clear that the original business was the priority and positioned franchising as somewhat inferior or of less significance. The following excerpts illustrate this point:

*CF1: So there's no secret about it, it's just not a focus, not a priority for me to, you know, be racing about spending a whole lot of time selling franchises.*

*CF13: So that was probably, you know, the vision, but I haven't pushed it because we're doing very well in many areas of the business., It was more convenient than any real*

*desire to make a hell of a lot of money out of, you know, franchises. So it just hasn't been...it's just not high on my priority list.*

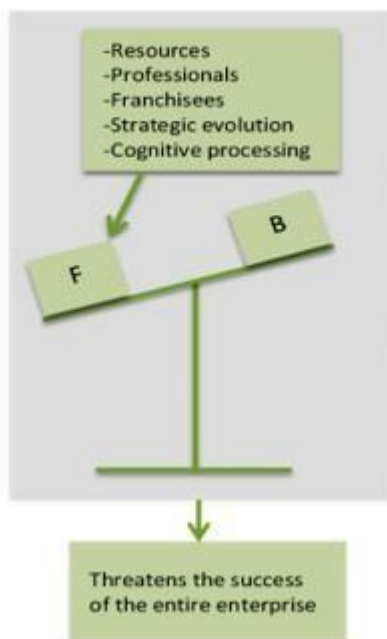
*CF7: So there's a lot of elements to [business name], and so the franchise concept is just one very small part of that.*

It is clear from the above comments that the degree to which franchising was prioritised was reflective of how franchising was perceived.

#### *Prioritising franchising: Effect on core business*

On the other hand, some ceased franchisors prioritised franchising over the core business, as shown in Figure 8. Their strategic objective was to ensure the success of franchising in order to give the core business a strategic advantage. Ultimately, this demanded extensive resources which depleted the core business, and in many cases, threatened the success of the entire enterprise.

Figure 8: Franchising Given Precedence over Business



Note. F represents the franchise. B represents the core business.

These ceased franchisors spoke of being so absorbed in driving the franchise forward that the impact it was having on their core business was not actually realised. When the impact was realised, this triggered a desperate attempt to save the business by withdrawing from franchising. Consequently, when the way franchising was originally perceived was inaccurate, the

franchising endeavour was deemed a “mismatch” because it did not assist the business; rather, it demanded resources from the business, as the following excerpts represent:

*CF9: Um... I realised what a mess I'd made of my own business, and that was the cost. So the cost to my own business here was phenomenal. Um... we nearly went broke and I didn't even see it. I was that tied up with the franchise. I got copies of the PNLs, didn't really read them; copies of the KPIs, didn't read them either. I was too busy trying to focus on everybody else being happy than worrying about myself. And yeah, it nearly cost me everything here. So when I pulled away from franchising I obviously built this up and some of my other areas. Over the next sort of 6 months I'm spending a lot of time on the road and just rebuilding my entire network.*

*CF3: Yeah, I mean the entire focus became about looking after others rather than looking after your own company. My own company was my bread and butter, it's what fed my family. Instead, I ended up relying on the franchisees to feed my family and when the franchisees didn't perform, I couldn't feed my family. That makes a lot of sense. You know, we had [a] vested interest to make it work, which is why I suppose I took it so personally.*

When the ceased franchisors began to comprehend the full impact of such misalignment, it caused disheartenment. Striving to keep the franchise afloat and seeing the original business deteriorate caused franchisors to lose motivation, as franchising was not fulfilling its original objective or strategy. The following excerpts support this finding:

*CF19: It made us pretty tired. We both had jobs at the same time, and then I also had a heart attack while all that happened. So I—we both sat in our homes and we hope[d], you know, this has [had] to come to an end and it has [had] to be successful. But it went on and on and on.*

*CF5: Oh just setting this thing up so I would say, you know, you're sinking this money into it and then you're thinking gosh, you know, are we just pouring money into a black hole or is this going to come back to us sometime.*

*CF6: And that got to the point where it was just, really wearing on us, our business was suffering financially [...] We had dropped our base income for approaching clients directly ourselves, so we could have time to focus on franchisees. So our business suffered quite substantially as a result.*

*CF13: The doubt at that point was, “even if we did sell it to somebody who was interested in buying a franchise, what if most of them don’t want to? Then we have one site in one country, and we then have to try and find a head office in that country to look after it. That is going to be more of a burden, especially for a company,” like ours was, “that’s pretty much in its beginning stages.” We didn’t really have the funding to not only develop new products, but also establish a whole laser tag franchise structure.*

*CF11: I used to be a believer that there’s 24 hours in a day and 7 days in a week so it would be okay. As I say, it cost me my health, I ended up with depression, I ended up with burnout. I ended up with...oh, I divorced. Other than that, yeah, life’s just bloody great, yeah...living the dream, hahaha...*

*CF6: And we tried all sorts of strategies to turn it around. Yeah, well I mean it was, it was, it wasn’t nice because we got to a point where we owed money, so we kinda [sic] not only exhausted the funds that we had, and you know we sacrificed a lot of our income for the business we had actually borrow[ed] from, so we kinda [sic] [were] walking out of this with nothing.*

The ongoing stress of watching the business deteriorate and the realisation that franchising was vastly different than they envisaged, caused, in many cases, loss of motivation, health issues, family issues, financial burden, and exhaustion. Statements such as “*are we just pouring money into a black hole*” and “*we both sat in our homes and we hope[d],*” “*this has to come to an end,*” and “*but it went on and on and on*” are heartfelt expressions of the perplexity that many faced throughout the franchising ordeal. It was clearly challenging, as franchisors decided to withdraw from franchising even after investing significant resources.

### *Recognising the Impact of Misalignment*

Many ceased franchisors’ narratives revealed their retrospective appreciation of the need for alignment. They recognised that failure to align was a significant contributor to the decision to withdraw from franchising. The following excerpts capture this recognition of the impact of misalignment:

*CF13: As long as I could still effectively, provide effective and good management, through either myself or somebody else who could do it for me. It’s effectively doing another job, and in terms of the franchise, I don’t think I would have any problems getting it done, and I think I would probably have enjoyed it because I felt it was a good project, a worthwhile project. For me personally, I don’t doubt that I would have done a good*



*job, and I don't doubt I would have enjoyed it. It was just the fact that I would have been hamstrung from all my other obligations to my existing company.*

*CF15: Well I guess the effect it had was that it was a lot harder, a lot more effort to get these things over the line and you know, I had other programs in place and challenges to overcome and it just became too much of a drain on my time, and intellect really. It just wasn't going anywhere, so we parked it.*

*CF3: [For] one [thing], I would've sold the flooring company much earlier, so I could have focussed on the franchising and if that hadn't happened I would certainly not have failed.*

*CF12: I found the other problem I was doing. You can't on the one hand run part of the business yourself and expect the other half of the business to be franchised and run by other people. You know you've got to be in one camp or the other, you know. And you either decide, look I'm going to be running a franchise business and I don't have anything to do with the, you know, the day to day stuff and you know, and I'll, I'll make it my business just to, you know, look after the franchisees.*

The following ceased franchisors' excerpts highlight how the lack of alignment was not only a significant factor in how franchising was experienced, but it was also the *primary* contributor to the franchisors' strategic decision to terminate the franchise:

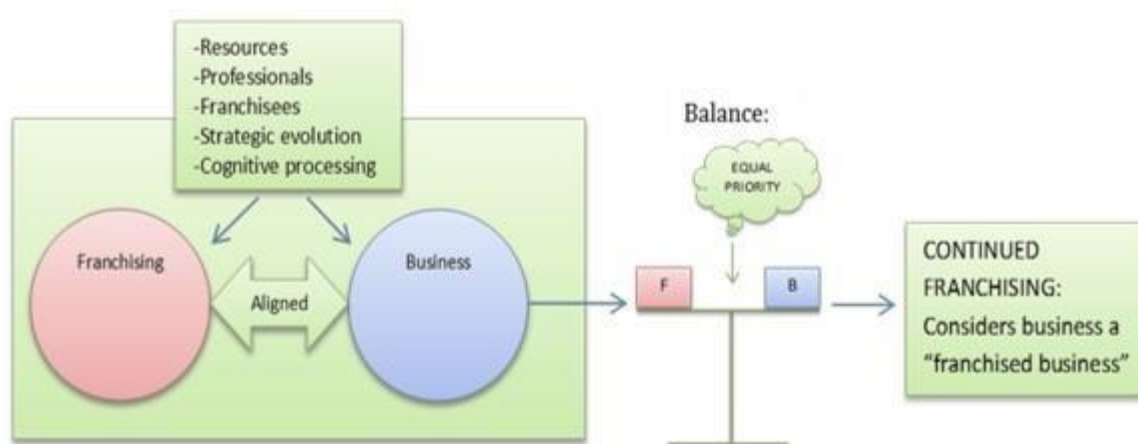
*CF6: And kind of realised actually this is, this is, this is, you come to the point where maybe this isn't a strategy that we're going to follow. But that was really hard because we'd invested substantial amounts of money. It was kind of, you know, seven figures of investment to make it happen, and those direct costs and conscious choices to drop the anchor and let it loose. And it was kind of actually where we kind of—this is where, you know, this has got to stop. So we—it's kind of like losing a child in terms of the big brand dream and big plan. And it just wasn't going where we wanted it too. And there was [were] too many flaws in what we were doing to correct it, and we didn't have the appetite to put more capital behind it. So we made a choice to kind of stop; that was a difficult process because we had some franchisees that were kind of wanting to go at the same time, and we had franchisees that didn't want to go.*

*CF6: Yeah, well I mean it was, it was, it wasn't nice because we got to a point where we owed money, so we kinda [sic] not only exhausted the funds that we had, and you know*

*we sacrificed a lot of our income for the business we had actually borrow from, so we [were] kinda [sic] walking out of this with nothing; it didn't really work and we've now got debt. So, um, kind of a lot of frustration with it in the sense [sic] and also kind of a realistic view; it was an investment that didn't work so, you know, some investments work and some investments don't work, and that's just the nature of the beast.*

Failing to align franchising and the core business resulted in franchisors making the deliberate strategic decision to withdraw, as the comment that it was a “conscious choice to drop the anchor and let it loose” by CF6 illustrates.

Figure 9: State of Alignment



Note. F represents the franchise. B represents the core business.

### Balanced Alignment

The successful group differed considerably to the ceased group in the key alignment areas. As Figure 9 illustrates, these franchisors ensured that both franchising and the core business remained of equal concern; therefore, each received the same level of priority, allowing both to be co-dependent and collaborative in their strategic planning and practices. This state of equilibrium prescribed the continuation of franchising.

### Overcoming Alignment Challenges

In order to ensure that the franchise and core business were aligned, when successful franchisors faced challenges, they addressed and managed their alignment issues strategically and effectively. Throughout implementation they had to retract and make further plans regarding how to address the demands of franchising while still adhering to the needs of the core business. The following excerpts show how the successful franchisors' addressed alignment management:

SF22: *So yeah, I think that plan then led to us saying, “well, let’s button off chasing franchises for a while and deal with what we’ve got”; keep it ticking over and, yeah, make sure we can come up with what we are now with a model that we think we can sell. We’ve also added different things to the franchise now.*

SF18: *Other key decisions was [were] to stop the growth of the business. When we started franchising we went, “Stop, stop going out and trying to sell advertising. You don’t need to keep going. Concentrate all the efforts and build the franchise.” Don’t—we’ve taken years to do that. We could have easily said, “Hey, we’ll carry on and do this, we’re going to do it on the side.” Then it becomes all muddy and messy and doesn’t get focussed on, you know what I mean. Our key decisions are stop growing and putting more areas up and just concentrate solely on doing the franchise model and what we were going to do. Then that was also very key, to just focus on that and get it all done, not as a rush case, but focussing on that for that period of time, see what I mean?*

The following franchisor, throughout the early stages, had adjusted his business model to ensure that he was able to have his core business operating self-sufficiently, allowing him to invest time and resources into franchising:

SF18: *So the design of our particular business model lends itself to being able to focus very much on our franchising, you understand? Yeah, so that was a big plus was this business model design, which as you were working with it, allowed us to do it in a manner that was very timely and very focussed, and be able to do it as it was required, you see what I mean?*

For some franchisors, the long-term objective was to be able to concentrate solely on the role of being a franchisor. They spoke of being able to reposition the business model to allow the franchisor to concentrate efforts more intently on franchising aspects and allow other business activities, such as those associated with running the core business, to be managed by managers. The following excerpts are evident of this objective:

SF8: *It is eventually I will just be franchisor and not be running a territory [sic] because there’s a lot of things that I want to do for the franchise that I can’t do when I’m running a territory. Two reasons: one is I don’t have the time, and the second reason is that I don’t have the money yet. So when I’m at a point where I’m just franchisor, it’s because I don’t need to be running a territory for the extra income.*

SF9: *There are some awesome people and bodies that are really, you know, starting to drive it, which is great because we can now pull back a little bit on tax, mainly, and you know focus on franchising more than the business. So you know, that made it, that's not an excuse but it has been a factor that we have struggled to get through, around, across and roll around, or whatever.*

In many cases, successful franchisors recognised the challenge they faced balancing the demands of franchising and the core business; therefore, in many cases, franchisors employed staff to help manage the two entities effectively. The following excerpts are representative of how the majority of successful franchisors managed to meet this challenge by role sharing:

SF19: *And so, yeah, that's kind of a challenge when you're starting anything up, because you have to do absolutely everything, you know, including answering the phones the phones when the [there were] people outside the area ...So you get weekends when the phone can be ringing numerous times and you just feel, because it's your business that you've got to answer it. [...] So yeah, that was a biggie, but we've kind of got through that and, like I said, we've got an operations manager now who does a huge amount of that, so it means that we can survive.*

SF5: *I employed [name] for 15 years. He was my franchise director when we decided to go down the franchise arm. I employed [name] to head the franchisor side, so he did the paperwork, the management of the bank accounts. You know he did that sort of role where I did the hands-on role.*

SF6: *So, I guess it sort of meant that we needed to have more of a head office type structure I guess. And probably from my end that just meant, and from my business partner's end, that just meant that we probably had to, you know, take a look at the roles that we had within our own two stores. Because up until then we actually worked in our own two stores still, and that meant that we had to put our systems in place for our own two stores to operate without us actually working in them. Like we, our head office if you like, is still out the back of our Wellington store. So we're still hands-on as in we work from within the Wellington store, our office is out the back there, but we don't actually work on the shop floor. So we have like a store manager who, who, you know, who basically runs the day to day store operations of you know the staff and the shop floor and making sure everything is working in the store. I or my business partner don't sort of do that anymore.*

SF21: *Oh I don't think there's, I think it's really a combination of a lot of things that we've done. You know, the first step was to create a pre-engineered building system and the ability for the distributors to quote using software and give people a firm price straight away. The second element was to develop the branding and the support networks and the marketing structures throughout the country. The third thing was to get the right general manager with the right focus [unclear] to help them support them, to price buildings for them, to teach them how to do things, and [person's name] and I, I guess, also giving them advice about different elements of business and helping them along the way. So over a four-year process now they've all grown together if you like, but all those elements have in no small way contributed to the overall success I suppose of the group to date, you know.*

These narratives reveal the steps that led to alignment between the two parts of the business operation, and it was this process of achieving alignment and balanced use of resources, according to the franchisors, that led to the overall success of their franchise businesses. This is a great example of a strategy practice designed to achieve the business goal (of successful franchising) in the face of conflicting demands.

### **Six Key Areas of Alignment**

Alignment covers six key areas: alignment in documentation, alignment between franchisors and franchisees, alignment with resources, alignment during strategic evolution, alignment between franchise professionals and the business, and alignment in dual thinking.

#### **Alignment in Documentation**

Chapter 3 showed that preparing documentation absorbed significant amounts of time, deliberation, and financial expenditure. Franchise documentation articulates how the business operates, the spirit of the business, and its legal obligations. In essence, the documentation is a key textual communication; therefore, the strategic objectives of both franchising and the business need to be portrayed in an equal and clear fashion. Articulating the business-franchise interdependency is imperative so the co-dependency is understood by both franchisor and franchisee. Both franchisees and franchisors must be fairly represented in all legal and informational material.

The successful franchisors, and some nascent franchisors, interpreted their approach to document creation as dually-focussed, with franchising and the business objectives receiving equal priority. These following excerpts illustrate this:

SF11: *My franchise lawyer says that my franchise agreement...She says it's the fairest franchise agreement in favour of the franchisee that she's ever seen. Yeah, we have the best product, but our guys get it at very, very good prices.*

SF16: *We had to consider franchisees as coming aboard our business, but with equal rights. We wanted to protect them and ourselves through this. We really had to make sure it was fair for both.*

NF8: *Well documentation was such an opportunity really to tell our franchisees that they were working for themselves, but not by themselves. I also wanted to make sure our own goals for the business as a whole was really clear, yeah, wow, that was a really important bit too.*

NF3: *I was very pleased that I was able to furnish the material and he packaged it for us. He [franchise consultant] didn't get everything right, you know we had to say, "no, we don't want that in there," or "you have to change the wording of that."*

In contrast, the ceased franchisors, and some other nascent franchisors, interpreted their documentation experience as a vehicle to communicate their business, their objectives, and how the franchisees would work for them. It was also evident that these franchisors adhered to the minimum legal requirements for the franchisees. The following excerpts illustrate how these franchisors gave themselves and their businesses precedence over prospective franchisees:

CF15: *The feedback we got was that it was all very one-sided in our favour. That's typical of a franchise document, basically; if you go and buy a McDonald's franchise they will tell you how to tie your shoelaces, basically. It wasn't a surprise to me, or [to] our consultants, but the feedback was from our potential businesses, that it was all a bit one-sided.*

CF7: *Well, it was our documentation and it represented what we wanted, you know, so yeah, nah, [sic] it was written up exactly how we wanted it, for our interest, and if they wanted to dispute anything before signing up, well, then they could, couldn't they?*

NF6: *Well they need to fit in with us and that's basically how we put it in the manual, bluntly. Well, we worded it professionally though. Ha-ha.*

The ceased franchisors' language was different from the language of those who had continued with the franchise model. The ceased franchisors' language contained phrases such as "one-

sided,” “fit in with us,” and “written up [...] for our interest” that suggested they perceived the franchise operation as an instrument of the original business. Thinking about it this way meant alignment was not actively sought.

#### *Alignment between Franchisors and Franchisees*

Franchisee recruitment and selection was a significant part of the strategic evolutionary cycle. However, this stage was a challenge, as the demands of managing new franchisees were inevitably daunting, as the following excerpt shows:

*CF12: You’ve got to be on top of people, you’ve got to be on top of your franchisees twenty-four seven. And the moment you kind of leave them to their own devices that’s when they sort of get the wrong idea and they start doing their own thing and that’s the kiss of death.*

After training, franchisees are predominantly required to work solely with reduced franchisor supervision. However, many ceased and some nascent franchisors became trapped in an endless cycle of supporting and assisting beyond their capacity or arrangement, consequently draining their resources and impacting on the parent business, as the following franchisors’ interpretations illustrate:

*CF6: What ended up happening is that we put on more and more of our effort to support and focus and help that franchisee’s businesses operate well, and it got to the point where we were almost running their business[es] for them, how it felt.*

*C8: I mean my role was to support, build their businesses for them as well, and when you’re holding their hand you can’t be making their business, you can’t do everything. You know, at the end of the day you’re one man trying to bloody run 10 people, plus my own business here. You know, so you’re sort of looking at your own business and then another guy’s franchise, plus 12 other people and trying to grow the company at the same time. It had to stop.*

*NF4: I’ve got involved in that [the franchisees business], so my attention was divided between my franchising and the industrial conflict that we were going through in my regular job, you see. That might explain it better than anything. You can’t really do two jobs with as much grunt as just the one, so that’s where it slowed down because I had probably about four difficulties with franchisees.*

*C3: So it was—we were kind of being driven I guess to have them be successful, and I think we overcompensated and did too much and so as a result, I think some franchisees didn't take enough responsibility for their own business. [...] And that got to the point where it was just, really wearing on us [...] Our business was suffering financially because we weren't bringing on the franchisees, new franchisees at the rate we'd like. We weren't getting the franchise commission income we would like. We had dropped our base income for approaching clients directly ourselves so we could have time to focus on franchisees.*

These franchisors felt that they had not only provided franchisees with ample support and training, but that it had become a matter of “*holding their hand*” and “*running their business[es] for them*.” In some cases, the franchisees had become so reliant on the ceased franchisors, that when the franchisors attempted to wean them off, the franchisees performance progressively declined, as illustrated by the following comments:

*CF15: That went on for about 3 months I guess, we had to, you know, say to these people [the franchisees] after you know 3 months of really holding their hand that they are on their own. “We will help from afar but if you want training you have to come up to our store so that our sales don't suffer while we are training you.” So that was an implementation issue if you like.*

*CF6: I suppose in a way it sounds nasty, but I mean I'd given them the support that they were guaranteed when we started up and they worked out via the contract that they'd have that support. So then I limited the hours that they could have their support and slowly just let them fall.*

Some franchisors were aware that by pulling back, it would lead to their franchisee's doom, as CF6 illustrated when stating that he “*limited the hours that they could have their support and slowly just let them fall*.” The impacts resulting from the ceased franchisors' failure to align caused them to rethink the decision to franchise, as it became unfeasible to continue in the manner that they had been; the following excerpts illustrate this:

*CF11: [sic] The day to day demands of being on the phone 8–10 hours a day; it was just it never stopped, whether it was late at night or in the early hours of the morning. You know, they, them, the franchisees sort of pretty much, yeah, I suppose you became subject to their beckoning call if you like and they just created a lot of headaches right the way*



*across, to the point, yeah... I ended up on... I just started thinking franchising—it wasn't really for me.*

*C7: Just their absolute need for even just reassurance is just incredible. They wanted to be praised for this and that. They wanted to, you know, keep you so much in the loop but it just... yeah, it just ate away at you, it was all the time. You'd assume that you'd answered their questions. They would follow it to a degree but they'd never follow it to the letter; then they'd be back on the phone, then here we'd go again. So yeah, it was just yeah... it was almost childish. So I just decided no, can't do it.*

The following ceased franchisor's excerpts reveal his interpretation of the consequences of misalignment. He perceived that in order to manage a balance with the franchisees, it would have been more viable to have hired professionals to recruit more appropriate franchisees.

*C3: So hindsight, yeah, a recruiting agency would probably have been the best bet. I'm not necessarily talking about franchise recruitment, but somebody that specialises in recruiting and selecting people probably would have been well worth it. Um... Yeah, that's probably something in planning that we actually lacked.*

In contrast, successful franchisors and some nascent franchisors positioned their relationships with franchisees vastly different to the ceased group; the franchise was considered less of a subsidiary and more of a partnership. Consequently, franchisors not only actively included and involved franchisees in the entire company's strategy, but encouraged, empowered, and directed franchisees to work independently from the outset. This championed a collaborative undertone to the whole enterprise. The following excerpts illustrate this finding, which was evident in all successful franchisors' narratives and apparent in some nascent franchisors' narratives:

*SF12: The franchisees expect to see us as franchisors a lot more often, so now we have franchisees' conferences. Every 10 weeks we catch up, which is quite a lot. But they just want to see us, they want to hear what we're saying, they want us to be showing them strategic plans. At the last conference we had we showed them our strategic plan for the next 4 years: where we're going, the number of valuers we want on, new products that we're developing, marketing strategies, the new website.*

*SF6: Again, another great tool for when you're setting up a franchise would be to have all that strategic planning in place from day one so potential franchisees can see you're on a growth path, that in a year's time you're going to be doing this, in 2 years this. [...]*

*We've shared our vision, mission with them. We've shared our future growth path with them. We've listened to them, communicated with them.*

*NF9: It's about communication with your franchisees, it's about sharing with them your vision for the company, it's about getting for them what they want out of it, because everybody wants something different when they buy a franchise.*

These excerpts show that communication and listening was a significant contributor to alignment with franchisees. This is evidenced when SF6 says “we've listened to them, communicated with them.” Upholding a culture of sharing and interaction consequently opened the lines of communication, allowing issues to be raised earlier rather than later.

The successful franchisors' narratives conveyed a significant sense of importance to not only support, but also to mentor, leading franchisees towards greater interdependence:

*SF10: Uh, I was offering full support to that first franchisee for anything, obviously. The first franchisor experience of what you implemented—the branding, the marketing, the focus—was on offering full support to that franchisee and um, being a business mentor, to lead them towards their path of independence and own success.*

The successful franchisors, as well as some nascent franchisors, revealed a passion to see their franchisees succeed, while simultaneously recognising that in order to be sustainable, they needed to operate interdependently. The following narrative excerpts illustrate this:

*SF21: So it's a good decision, it's a good model, but you've got to make sure that at the end of the day it's going to be a sustainable and profitable business for the franchisee. So that's what we spend our time doing, creating that sustainable, profitable business for them. And the model's really working, I mean the business has got huge growth and has had for the last 2 or 3 years.*

*SF14: And you know, as I said to you, for 25 years I'd been leading children rather than adults, so there was that move. And also it was adults who'd paid money for my idea, and that was, I felt, a real commitment to them, you know, that obligation that I had to try and help them succeed.*

*NF3: You know, I like to have a bit of fun with people. I like to work closely with people. I like to help them, to ensure they're successful as potentially I could be or where I have been. And, but no, I think you've just got to be open, honest, and upfront.*

The drive and commitment to ensure the franchisees succeeded was an ongoing consideration for the successful franchisors. They recognised the interdependency of the relationship and that the franchisees needed to have a sustainable and profitable business that would ultimately benefit the entire corporation.

### *Alignment with Resources*

The majority of businesses in this study were SMEs. Many were financially restricted, had limited resources and time, and lacked human capital. Therefore, the business owners had to continuously make decisions on where they would delegate resources to.

Franchisors in the ceased groups often had unevenly distributed resources, and either the franchise or the business absorbed a significant amount of resources to the detriment of the other. These franchisors described franchising as extracting from the parent business, as if it embezzled or worked against the core business. The following excerpts from ceased franchisors narratives are demonstrative of this perception:

*CF13: I was overwhelmed purely from the time and money and resources it would have taken up, or taken away from my existing company.*

*CF12: We'd have less time to work on our core business, which was manufacturing and distribution. We'd spend money that [we] would normally be putting into developing and expanding our business on the franchise side of things, and, like I said, that money was very, you know, we were struggling at that stage to actually take any money at all out of our basic core business...[it] was difficult...um...yeah... In actual fact, franchising, at that stage, would have been very difficult for us and would have hindered our core...er...our business.*

*CF12: But we—there were a lot of people interested, but we only had one franchisee, but at the end of the year we sat down and looked at the amount of time we'd spent, the amount of money we'd spent was phenomenal, and we had got absolutely nowhere.*

The following excerpts illustrate how the ceased franchisors and some nascent franchisors prioritised resources for their businesses, placing less importance on allocating resources to the franchise:

*CF12: Because actually the business has been a success—it's just that the franchise part of it was just not, was just not, um, I'm sad that we've had to you know, we've had to—huge amount of effort and time and resources have been put into it. Well, I guess we*

always put more into the business, but that was important you know, it was more important.

NF13: *Yeah, I was already busy. Very, very busy—overworked already in my first role as CEO of a manufacturing and distribution company. Then bringing on board the extra role managing the franchise was overwhelming. Not impossible, I mean I can elaborate on that. We were a developing company. So to employ another person to get involved to do one of those roles was not within our budget and really was far less of a concern than concentrating on our business.*

Statements such as “we always put more into the business, but that [...] was more important” and “far less of a concern than concentrating on our business” illustrate the ceased (and some nascent) franchisors’ sensemaking towards what was considered important. The level of importance placed was interlinked with the level of resources allocated.

The immense amount of resources needed for franchising was a surprise to many. Franchisors explained that the lack of balance with resources (e.g., time and money) was the reason for franchise failure. In reflection, they perceived that employing staff to take care of other tasks would have allowed them to invest more resources and more time solely in the franchise. The following excerpts represent the ceased franchisors’ reflections on resource allocation:

CF12: *It was a huge underestimation of what was actually required and necessary in order to make it successful, and you have to wholeheartedly commit. I found the other problem I was doing. You can’t on the one hand run part of the business yourself and expect the other half of the business to be franchised and run by other people. You know you’ve got to be in one camp or the other, you know. And you either decide, look I’m going to be running a franchise business and I don’t have anything to do with the, you know, the day to day stuff and you know, and I’ll, I’ll make it my business just to, you know, look after the franchisees. So you know um, so you know I guess, if somebody said I had to do a franchise then I think what I would say is, “okay I’ll do that, but I won’t actually run any of it myself. I will get myself a little office and, you know, I will work full-time on running a franchise business.”*

CF13: *You have to knowingly take on the role of the franchisor and it’s a full-time, 100% dedicated job if you want to do it properly.*

*CF11: Now this is a recommendation, and it's probably the biggest recommendation of all franchising, is do not do anything else. Concentrate 100% on the task at hand.*

In contrast, all successful and some nascent group members ensured their resources were evenly distributed as the following excerpts illustrate:

*NF7: It was a matter of delegating our time evenly between commitments for the franchise and commitments for the business.*

*SF20: We had to ensure that the money, time, and staff were given to both our main business and the franchising. It wasn't just a matter of throwing everything into franchising or everything into the business, one would wind up dead! Hahaha.*

*S2: So one could have priority over the other, it was just a continual consideration for them both [franchising and core business], and checking to see if both had an even distribution of our finances and resources, really.*

As the excerpts above illustrate, successful franchisors positioned their role as supervisor and delegator to actively ensure that one entity was not given precedence over the other.

### *Alignment during Strategic Evolution*

During the strategic evolution process (planning, sensemaking, implementation, further refinement, sensemaking, and further planning), the franchisors were confronted with more and more alignment decisions. The further the franchisors progressed through the strategic development, the more additional decisions needed to be made on whether the franchise and the business would be aligned and how this would occur.

The ceased franchisors and some nascent franchisors spoke of the strategic evolution itself as a negative process; they also stated that what was required by this complex and multifaceted process was in fact extracting from the core business. This is illustrated in the following excerpts:

*CF14: So all our planning and the time we spent, we had numerous hours, I mean it's just, my wife became very frustrated and I become frustrated, putting all that effort in. And in the meantime we had the business sitting here.*

*NF19: The whole was huge conflict of time as I've said before, and then we had to do a breakdown of the whole financial arrangement, and we also had to list every item that came with the business, and, yes, we get all these things organised. It takes a lot of time, too much time.*

CF19: *And that's really when things started to take too long, and you know we did all this franchising, you know, the whole idea, the planning and everything, and that's when we sort of lost it. Because it went on for too long and nobody turned up really that was suitable, and we invested all the money. And my wife became very cautious and disinterested and the family sort of started thinking, "oh well, maybe it's not the right thing," and then I started thinking maybe it's not the right thing, and so that's how things changed.*

As all three excerpts above illustrate, time was a significant challenge with planning and implementation. Expressions including “numerous hours,” “conflict of time,” and “take too long” are representative interpretations of the underlying struggle with the immense amount of time franchising demanded.

There were a number of ceased franchisors who retrospectively reflected on the importance of the planning stage for initiating alignment, as the following franchisor's excerpt illustrates:

CF4: *I would say that the planning stage, in retrospect, should include what the franchisor wants to achieve. So if the franchisor wants to achieve... In my plan I didn't have a plan for business, just planning for the franchise.*

In contrast, the successful franchisors recognised the importance of the planning and implementation stage where it provided the space to actively manage longstanding business franchise alignment.

SF12: *[sic] Importance with the planning stage? Massive, massive, because we spent months doing it. We were lucky because we had another business earning us good money, so we had the time and resources to put into doing all this planning, but we spent months in the planning stage, absolutely months. We spent months designing our software, which we were designing all the way through the planning stage. Then we went and did research on—we spoke to mortgage brokers and we spoke to banks and we spoke to potential clients and what they wanted [unclear] in our reports, etc., so we did the research from that perspective. That was all the planning side. We were making sure the whole time, and it was months of it, that we were considering what was best for the business and at the same time the franchising side of things. At the end of the day, this was a good foundation.*

*SF16: I definitely think because of the amount of planning and the way that we thought about the business and also franchising and structured it from the start, I think has made it a bit easier for us and ultimately has had an impact on our success.*

The excerpts above represent the successful franchisors' interpretations of the direct link between alignment during the strategic evolution and the longevity of the franchise.

#### *Alignment between Franchise Professionals and the Business*

Inviting professionals into the franchise start-up process meant that franchisors were challenged not only to check their own alignment decisions, but also to ensure that professionals were working equally in the interest of both the business and franchising, a collective challenge apparent in all franchise narratives. Franchisors perceived professionals were predominantly working in the interest of the franchise, with far less consideration for how the business would work, posterior to adopting the franchise format. Others felt professionals lacked key knowledge on their operational methods and business culture.

It was clear that the ceased franchisors, and some nascent franchisors, failed to ensure franchise professionals aligned the franchising aspect with the core business, as these excerpts illustrate:

*NF14: But there seems to be also some sort of disagreement. And, so, we got the contract and everything drawn up from a standard franchise agreement that they had, because we wanted it sort of a bit different, because our business is a little bit more, but it's still far too comprehensive, and we couldn't get solicitors to cut it down. They thought no that's very important and you have to really, you know, secure yourself and back yourself up.*

*NF7: He [the consultant] worked it out, we were going to make thousands from it. He didn't listen to me, he just put these things on the road. He brought a few things like that before, you know, he didn't have any reason not to do it.*

*CF4: So I think that is one of the mistakes that I made, that I engaged the services of salespersons and lost control of the quality of people coming in.*

*CF12: Yeah. Look I can't remember the discussions that revolved around that, but I think, look unless they live it and breathe it and do it themselves, you know, I think it's really easy from an adviser perspective to come in and say you have to do this and the other bit, you know. I don't know. The jury's out on that side.*

In contrast, the successful franchisors and some other nascent franchisors actively ensured that professionals considered the interests of the franchisees and franchisors equally, and the combined interest of the business and the franchising aspect, as illustrated in the following excerpts:

SF18: *What I'm saying to you is one of the things that I find very good about him [the franchise professional] is that he's never ended up in court. Over all the franchises he's been doing for all the years he's been doing them, he's never actually ended up in court. Because what he does, he goes and listens to both parties and he finds a way forward for both parties. And that's I think very important, because he's very much about communication between the franchisor and the franchisee and the whole documentation process and that sort of stuff.*

NF13: *We actually made sure that, well, we were actually so strict on him [the franchise consultant] that he didn't just become biased towards franchising in the paperwork, it needed to represent both our business and the franchising bit all equally.*

As alignment advocates, successful franchisors, and some of the nascent franchisors, spoke of educating professionals about the business in order to increase alignment prospects by ensuring that professionals had intimate knowledge of the business:

SF8: *You can't have a franchise lawyer just go and write a franchise agreement for you, unless they intimately know your business. They might know enough about it to write a draft, but you have to spend the time to actually go through all of the clauses that relate specifically and uniquely to your business to make sure they actually work for you. The rest of it you can't do anything about. All the legal stuff you can't do anything about, it has to be there to a certain degree. There are a few things that there is leeway, and your franchise lawyer will help you with that.*

The following franchisor explained how the documentation constructed by franchise professionals was examined carefully to ensure that the franchising aspects were evidently aligned with the business and that the documentation was equally informative on both entities:

SF12: *That's why we bounced around so many places. That's why we kept on at [professional's name] and telling him that we need 3 hours of his time, no distractions, sitting him down and told him: "This is just shit. We've got a manual that tells us how to wipe our nose but it doesn't tell us anything about our business. We've got no feasibility*



*information.” He gave us a spreadsheet on feasibility, but it was cut and pasted out of a totally irrelevant industry and it gave us absolutely no ideas at all.*

### *Alignment in Dual Thinking*

There was a clear distinction between the deliberations of the successful and unsuccessful (ceased) franchisors, with franchisors from the nascent group mirroring both alternative groups. The successful franchisors, and some of the nascent franchisors, reflected a dual positioning as they interpreted their start-up journey: the franchise aspect was equally considered in every decision made, as the following excerpts illustrate:

*NF10: Well, no, it depends. I guess we had to look at it from two angles. We had a vision for what the whole company, what the whole brand or the franchise as a whole would achieve, and we had a vision of what we wanted to achieve as franchisors.*

*SF20: You know, we couldn't just operate our franchise and consider operating our own business. We had to consider whatever we did was—whether it was going to be in the interests of the franchise, the whole franchise.*

*SF6: It changed in your mind-set, of like, actually it's not our own two stores so much that is the bulk of our income. It's actually the franchise fees that are the bulk of the income. So it's really that you're looking after the entire group as opposed to worrying too much about how your own two stores are going because your own two stores are just part of that group.*

The ceased franchisors and other nascent franchisors offered narratives that revealed a single-minded presence, as either the franchise or the business was considered over the other. The following excerpts illustrate this finding:

*CF7: We just kept considering the business throughout the whole thing, you know, what's best for the business, would this work for the business. That was our number one focus, remember.*

*CF9: I kept thinking about franchising the whole way through and sort of stopped thinking about the business and my own outlet. I guess that's tripped me up, in hindsight.*

*NF12: Franchising is my priority, sometimes I just give it so much thought, yeah probably far more than the parent business even.*

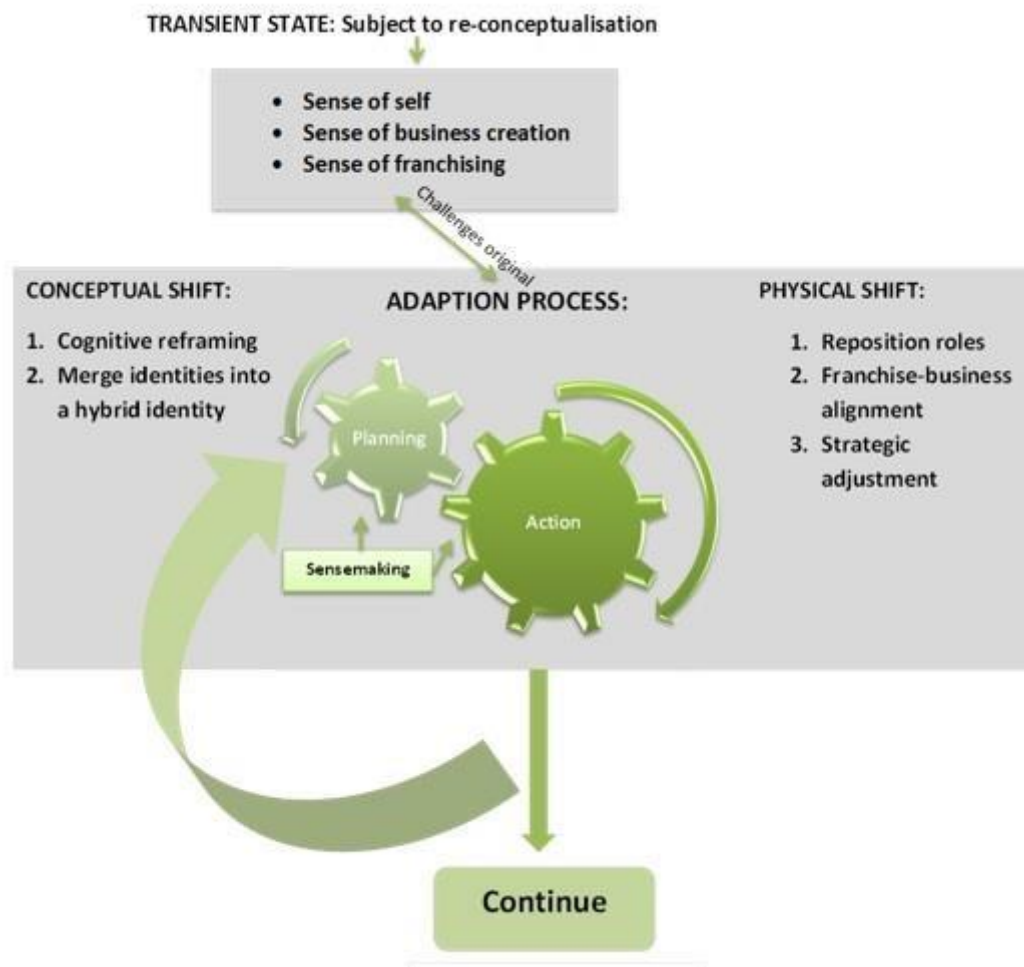
## Part Two: Hybrid Identity

Identity dilemma was the second factor contributing to the decision to continue or cease franchising. The identity dilemma was clearly evident with all franchisors, yet it was how they managed this dilemma that clearly differed between franchisors who continued and those who ceased. As mentioned in Chapter 4, franchising incurs changes to the business, in particular to the franchisors' roles and routine activities, relationships, perceptions of the business, and new responsibilities. No longer are the commercial activities solely revolving around the conventional business. To adopt the franchise format, franchisors had to adapt, modify, and adjust in different areas. Many of these areas included brand modifications and systemisations for their entire business. Time and resources were invested into initial and ongoing training, mentoring, and supervising franchisees, demanding continuous consideration for their co-owners. Often this change was surprising, as many business owners had presumed franchising was primarily just "growing the business" or "selling outlets"; instead, this change had added far-reaching impacts, as it challenged their prior perceptions of themselves and their business creation as an expression of self, resulting in what I have called an *identity dilemma*. Because the business owners were accustomed to enacting their self in the previous role, this dilemma arose when the new identity called for a shift in behaviours, roles, or routines and the apparent quandary became an issue of which identity they would enact and accept.

### The Formation of a Hybrid Identity

The formation of a hybrid identity allowed for alignment in other areas. Whether franchisors were able to form a hybrid identity contributed to why some experienced alignment and others did not. As illustrated in Figure 10, accepting the new identity as a franchisor required both conceptual and behavioural shifts through an adaptive process, which was clearly evident in the successful groups' narratives and was trending with many nascent franchisors. This adaption process took place primarily during the strategic evolution process (planning, implementing, and sensemaking) as the changes (due to franchising) became progressively confronting. The conceptual shift involved franchisors reframing their self-constructed identity into a hybrid identity through an adaptive process. A hybrid identity refers to the cognitive shift involved in retracting parts of the original identity to merge with a new identity as the evolved self. The behavioural shift required repositioning roles, adjusting the business-franchise alignment, and revising the business strategy.

Figure 10: The Formation of a Hybrid Identity



Many ceased franchisors, who had a flawed sense of what franchising was (as discussed earlier), could not accept the changes they perceived they needed make to how they saw themselves and the way they ran their business as a result of franchising. This meant they were unable or unwilling to reframe their identity. Instead, they preserved their original identity for themselves and for their business, and, in many cases, franchising was given a negative identity. This struggle was also evident in some of the nascent franchisors who were in the process of franchising.

### The Adaptive Process

As previously mentioned, the adaptive process gave rise to the adoption of a hybrid identity. This process occurred primarily during strategic practice and planning, and it involved a process of reflection, prediction, conceptual adjustments, and reframing. The franchisors accounts suggested nascent franchisors reflected on their previous self-proclaimed identities and predicted what the new self could entail. The first stage of the franchise start-up process involved franchisors making small progressive adjustments to self-perception and making sense of that as

the new self increasingly became more significant and familiar. These following excerpts show how successful franchisors and some nascent franchisors narrated the adaptive process they undertook:

*SF23: I just had to keep reflecting on who we were and what, you know, what we were, and I just thought about where we wanted to end up and how I felt about that. I would go through a whole turmoil of thoughts and thinking about my new role as a franchisor.*

*NF11: So, it actually sounds weird (ha-ha), but you know we adjusted to the whole franchise concept by just giving it some though I s'pose. When we looked to the future we could actually picture ourselves as franchisors and doing the whole franchis-y [sic] thing.*

The adaptive process was not merely a one-off occurrence. This is because there were changes that occurred (e.g., employing staff members for role sharing) that called for franchisors to continue to adapt their strategic planning and practice.

*SF16: Franchising and setting it up was really classic, really classic, [sic] and building the whole business was really cool, I loved it. It was a lot of hard work, but it was very rewarding; but the moment you've got the business set up and you're an actual franchisor, it's not, it's quite hard work. You've got a lot of people wanting things off you and it became quite stressful, so now I'm not enjoying that part of it, just 'cause I'm getting older, I guess. I didn't mind it back then, but now well...that's why you need more of a franchisor type person to do that sort of thing. So I'm looking for that someone now.*

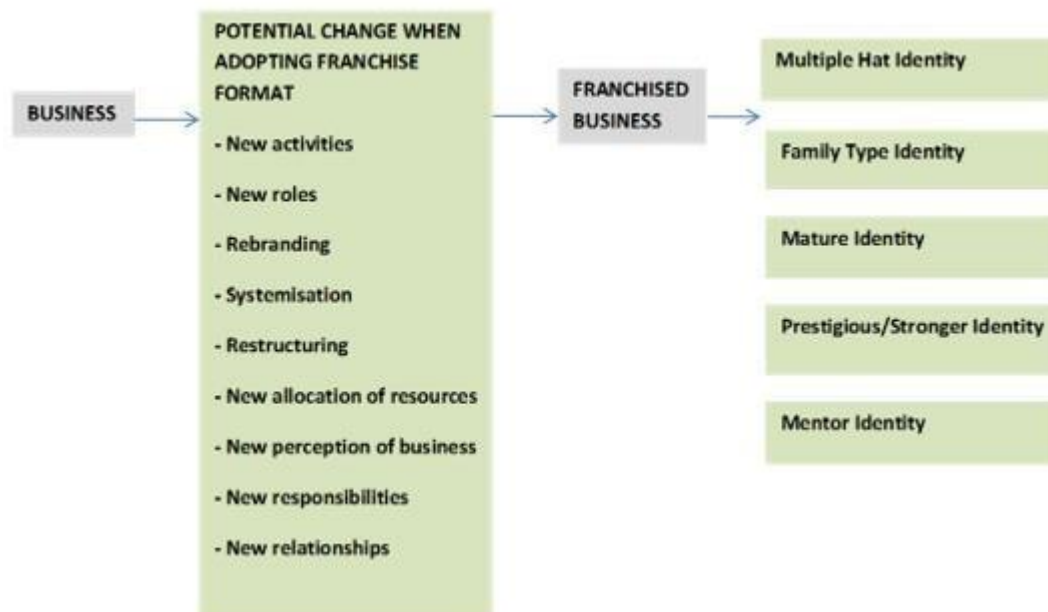
The successful franchisor's excerpt above highlights the need for those establishing their first franchise opportunity to accept that they must continually adapt. Despite creating a hybrid identity and operating a successful franchise business, this franchisor, who had franchised for 7 years, revealed that he was now becoming challenged by the franchisor's role. He would either need to continue to renegotiate his sense of self as his circumstances changed, or relinquish his current role as a franchisor.

### Hybrid Identity Types

For franchisors, accepting the new identity for themselves and their business meant constructing a new metaphor to express this identity and characterise the business. Results showed that franchisors created five types of hybrid identity: multiple hat identity, family type identity, mature identity, prestigious/stronger identity, and mentor identity. From the nascent franchisors' narratives, it was evident that some were mirroring the successful group and reframing their

identity into the same metaphorical identities as the successful franchisors. It was also apparent that other nascent franchisors were interpreting being challenged by the change and were positioning franchising as a negative identity. Figure 11 illustrates the variety of hybrid identities created by the franchisors. The hybrid identity became essential to accepting the change brought on by adopting the franchise format.

Figure 11: Successful Identity Types



### Multiple Hat Identity

One re-characterisation involved assuming a multiple hat identity. Franchisors who used this characterisation made sense of their multiple roles and responsibilities and no longer being solely business operators by portraying themselves as dual operators wearing multiple hats. The different “hats” or roles included mentoring, being a role model, coach, and manager, as illustrated in the following excerpts:

NF11: *When you come on board [sic] they see you as though you’re their lawyer, you’re a policeman, you’re a social worker, you’re a mother, you’re a father, you’re a friend, you’re an accountant.*

SF9: *We had to have one where we were operating a business and another where we were operating the franchise. And as a franchisor you are actually over-selling supporting people that are running a reputable business, so it is a difference. It is a different hat; a different sort of skill set; there’s a different relationship between a franchisee.*

To manage the complex demands of dual roles, franchisors figuratively put on different hats. This meant that at times franchisors reserved the characterisation as a business owner/operator, while at other times, they swapped roles. The following excerpts illustrate this point:

SF8: *It's two different roles. So when I'm working in the business I'm dealing with clients and contractors and suppliers and the council, that sort of thing. As, when I've got my franchisor hat on I'm a coach and mentor and a manager, that's the difference.*

NF20: *It wasn't really any major—it wasn't really any problem doing that. It was just something I had to do. I just wore two different hats. I couldn't, we couldn't be just a franchisor because we still had a store to run.*

SF10: *The transition from being a business owner and employing staff, to a head office, a mentor, you know. Hahaha, have you ever heard of the saying, "wearing multiple hats," 'cause that's what it's like, I tell ya!*

### *Family Type Identity*

Another re-characterisation involved the family type identity. Franchisors using this characterisation metaphorically presented the franchise as their child, which created a space for them to reposition themselves as the parent, which meant they accepted a significant level of responsibility. The following excerpts are from the narratives of franchisors who adopted a family type identity:

NF12: *I was nervous because I'd spent lots of money and it was my little baby and I wanted everyone to follow every system. [...] I suppose, because it's your baby you do everything you can to make a success of it.*

SF11: *Yeah, so I don't see it as work, I just don't see it as work. I have this family here, just a family and yeah, the staff that are family, I don't have to pay them and, um, but I'm responsible to put food on their table so, um, so, maternal instinct. It's my baby.*

SF4: *You know, the challenge was well, with franchising, we have this child that we want to get beyond the teenage years and into a 20-year-old within the space of 5 years. And that you know, everybody considers it your baby and you can try to grow it et cetera. But it can turn out to be a nightmare or turn out to be a very nice young man.*

SF7: *I need them to do [well], so really I'm the dad and I'm running around looking after all these little kids. And if I can get kids all over the country, then I can get more work for*

*them all over the country, see what I mean. At the end of the day, it's sort of like, you know, I need them as much as they need me for me to be successful.*

Franchisor SF7 interpreted the franchisee-franchisor relationship as being between interdependent family members. He recognised that in order for his business to be successful, his franchisees must also be equally prosperous.

Other franchisors held a different perspective on the family type identity: they re-characterised themselves as a family member and their franchisees as part of a big family (the business). This is illustrated in the following narrative excerpts:

SF18: *All the franchisees talk to each other and we are really like a big family, because as we grow, we need each other. Because as I said before, I need them all over the country so I can go and sell the media space for them.*

NF5: *We thought we will treat our company as basically a foundation to—I never sort of think I'm going to sell out. I never think, "Gosh, I'm going to..." Yup, I treat it as part of a family.*

SF8: *Because for me personally, my franchise is more a family than a business and that's how I treat my franchisees. A franchisor should provide a lot of support since that's what the franchisee's paying for. Yes.*

### *Mature Identity*

Interestingly, other franchisors interpreted their identity shift as emerging from the old, childlike identity to a mature, full-fledged adult, as illustrated by the following comments:

SF11: *Franchising has made me very mature. I've gone from a, you know, when you think of it, you work for yourself, then you're self-employed, then you're responsible for 20 franchisees [...] So yeah, I've matured. I've become very conscientious when it comes to work, and it's all because of the franchise.*

NF2: *Yup, franchising is great but maybe it's not for everyone. It made me. It turned me into um, you know, I did franchising, I started the business, what was it, 8 years ago, so what was that? I'm 52 this year, so 44. I look back then, and before, I was just a kid, now I think I'm a mature man, so it's been good for me.*

SF2: *I suppose I've become more focused on where I want to be in a few years' time, how, getting there. It's actually grown me [sic] as a person more. You know, when you*



*franchise that makes you all adult-y, hahaha. You're talking to man, a man doesn't grow up. We don't grow up until you develop a franchise, then you grow up.*

The immense sense of responsibility was the trigger for this metaphorical “adult” identity as the above franchisors perceived that franchising had enabled them to mature as individuals.

### *Prestigious/Stronger Identity*

Some successful and nascent franchisors positioned franchising as an entity that bestowed prestige or strengthened their identity. Franchisors that adopted this hybrid identity spoke of the pre-franchising business as an insignificant entity and referred to the pre-franchising self as an ordinary person. However, the franchising aspect strengthened them, and consequently they perceived they had more standing in the community. This is illustrated in the following excerpts:

NF1: *I'd say prior to franchising we were just sort of a small [unclear] business enterprise. You know, someone who didn't have a job, but really was working for himself. You know doing all of the day to day work. Maybe I had one staff member at the time. When you become a franchisor, I suppose you've got to see yourself more as a bigger business, more as a corporate entity. You've got to do things right, you've got other people that you're responsible for now.*

NF11: *Prior to franchising I was a little one-man band that was struggling along and just making ends meet, to someone that was struggling along and had a lot of tagger-onners [sic], ha-ha. Um, I've, you know, I've always been a sort of humble sort of a person. When I would go to no matter what sort of a supplier, no matter how big or small or whatever, I always looked up to them: “Yeah, you're the man, you're the person, you've got the good business here,” and so I've always not felt inferior, but I've always had a respect for everybody else. I suppose that role changed. Not immediately, but now I won't take crap from no supplier. They'll be wiped off like you'll never believe and it will cost them, it will cost their business thousands, tens of thousands of dollars. You know, we're a good-sized company. We turn over 5 to 10 million dollars a year. We're not here to be mucking around and we've been here for quite a long time and we're a stable, good business.*

SF13: *Yeah, it excited the hell out of me. I've gone from being a dirty old fencer to business entrepreneur.*

SF14: *The people in the community were fascinated with what I was doing. When you just say you tutor children maths [sic] after school they're like, “Oh yeah, that's cool, that*



*sounds great.” But if you say you’ve franchised your business and you’re now a franchisor, it definitely sort of gives you more, what’s the word, standing in the community, if they understand what you’re talking about. And so people would go, “Oh wow, it’s amazing what you’ve done.”*

Franchisors perceived that this prestigious/strengthened hybrid identity type enhanced the franchisor’s original identity, not online in terms of how they saw themselves, but also in terms of how they were perceived by others in a social setting.

### *Mentor Identity*

Some franchisors interpreted the new responsibility as franchisor as a leadership position, which incorporated assisting, advising, motivating, and supporting franchisees. These franchisors reframed their identity by characterising themselves as mentors, creating the mentor identity. The following excerpts illustrate this hybrid identity type:

*SF14: Like, I was a maths tutor and I was doing all the work with the children. My role sort of changed quite dramatically to becoming a franchisor. I had to, like, tell adults and people who’d bought into my business, like, what to do and how to run their businesses, whereas when I was a maths tutor, I was just working with children, and parents were my biggest challenge, you know, keeping them up to date with what was going on and getting the money in each week, or once a term from the parents. So it was quite a big change. But in some ways I looked on it as going from training students to training adults and franchisees to run their business. Instead of teaching them how to do maths, I was teaching them how to sort of run a successful business. That was the change of the role. I still felt I was in a teaching-type situation, but I was teaching quite different things.*

*NF14: I really enjoyed it. You’re sorta [sic] being people’s mentor, and the business was building, and so yeah...helping people and that sorta [sic] thing.*

*SF10: So that’s a turn from a business employer to a business mentor. There’s a huge difference, huge difference. You go from driving your own budget and cash flow to managing other people’s budgets and cash flows, advising on what they should do with finances and all that sort of stuff, becoming a business mentor.*

Franchisors perceived the mentor identity as different from the original business role and its associated identity in that they went from authoritarian to guider, from teacher to advisor.

### Self-Identity Conversion

Although a hybrid identity was the unification of the old and new identity, in some cases the hybrid identity was not conceptualised as a metaphorical identity; instead, the franchisor identity itself was readily adopted. The franchisors who adopted the simple franchisor identity evidently self-characterised themselves as franchisors, and their sense of self strongly resonated with the notion of being a franchisor. Franchisors recognised that in labelling the self by identifying with the statement, “I am a franchisor,” they incorporated their original identity as a business owner into a franchisor identity. Therefore, the franchisor identity itself became the hybrid of the old and new identity. This conceptual shift was made through a significant transparent disengagement with the old characterisation of self. The following excerpts from successful franchisors represent this finding:

*SF15: Ah, yes. I moved from being a builder to becoming a franchisor. So, how did I characterise myself was, as a franchisor when I shifted out of the business and later sold that business. I’m not a builder anymore—I’m a franchisor.*

*SF3: I am a franchisor from day one. I knew what I was entering into and I think once that documentation was prepared, signed off and approved, that was me, you know. It’s probably something that I’ve wanted to do, you know.*

*SF6: We realised we’re a franchisor right from when we had our first franchisee, because again we’ve always been very hands-on with visiting our stores and so forth. So right from when we got Nigel on board we spent a lot of time visiting around our stores. So, to me it’s like, well I realised I was a franchisor right from when we took on that first franchisee.*

*NF8: For me, franchising is about the structure of how the business is, how it’s structured. How I am as a franchisor is who I am, and I can’t be anybody other than who I am. I know I’m still the business operator, but now I call myself a franchisor.*

For these franchisors, the identity shift was a clear conversion from one identity to the other, embracing the franchisor identity as the new hybrid identity.

### Failure to Form a Hybrid Identity

In contrast to successful franchisors and the nascent franchisors that mirrored them, ceased franchisors, as well as some nascent franchisors, exhibited a trend of failing to form a hybrid identity for various reasons. As ceased franchisors became daunted by the full significance of franchising, there was a clear tension between what franchising demanded and what they were

prepared to give. This perception was also beginning to trend with some nascent franchisors. The following excerpts illustrate this:

*CF12: No, I didn't think of myself as a franchisor, but I think when the realisation dawned about what was actually involved in being a franchisor, I could much more clearly see what was, what it entailed and I actually didn't like the prospect of that, and that was part of the reason. I mean, actually when the true reality of what was needed in order to be a good franchisor, and what it involves and the commitment, and how to do the job, how to do it properly, that just wasn't, that wasn't the job we wanted to be.*

*CF15: No, because I felt more like a kindergarten teacher at some stages trying to solve little problems for people that weren't really my problems. No, I never really felt that we were in control of the franchise group, that they were doing what the vision said they should be doing. And you have to remember we are a small private company, so the franchising wasn't occupying my entire time. I was doing product development, handling staff issues, handling financing issues, importation, you know building-wise. Everything that happens in the business, I was handling it at the same time.*

*NF5: Well, yeah, nah, [sic] I'm actually thinking franchising is demanding far too much.*

Additionally, some ceased franchisors rejected the notion that they were franchisors altogether. Even as they were in the process of franchising their business, they refrained from identifying even remotely themselves with this role. As previously mentioned, the ceased group positioned franchising as a means to assist their business, or as an experiment; therefore, they did not resonate with the franchisor identity and rejected any notion of adjusting their self-portrayal. The following excerpts show the rejection of the franchisor identity and the clear contrast between the successful and ceased franchise groups:

*CF1: Oh, franchising is part of my business, I mean, the franchise probably brings in about 1%, maybe 2% of our business, so with my—what am I predominantly? I'm not a franchisor predominantly by a long way. Well, I'd probably call myself a vertically integrated manufacturer and retailer, that's what I'd call myself. It's a long handle, but that's probably what I am: vertically integrated manufacturer and retailer.*

*CF2: I don't want to be a franchisor. Franchisor is a term that basically puts a figurehead up and, you know, the buck stops here. I didn't want to think of myself as a franchisor. I'm just a business person, that's it.*

*NF7: A franchisor? Huh! I don't think so! I am a businessman.*

Part of rejecting the franchisor identity meant that significant loyalty to the original self or business person was evident in so much that being labelled a franchisor was considered objectionable.

## Conclusion

In conclusion, this chapter has revealed that the provisional outcome was fabricated during the process of developing the franchise format. The provisional outcome was caused by a trickle-down effect: it began by way of how the franchisors made sense of franchising and their subsequent strategic rationales for franchising, which affected how closely aligned their franchise operations and their core businesses were. This chapter showed how this successively influenced franchisors' self-perceptions and how they framed their businesses, which then impacted on further alignment decisions and caused disheartenment. As a result, the ceased franchisors rejected franchising, and the business owners began the recuperation process and chose an alternative expansion strategy.

Alternatively, this chapter revealed how successful franchisors and some nascent franchisors created a hybrid identity (only through an adaptive process), and through the acceptance of this new identity and subsequent alignment, the franchisor sought to enact their new self. Although most of the hybrid identities were metaphorically framed, there were some cases where the successful franchisors self-characterised as franchisors, simply replacing their old identity with the new franchisor identity rather than merging the two.

The next chapter discusses these findings in relation to the literature and demonstrates how this study has contributed significantly to our knowledge.

## CHAPTER SEVEN: DISCUSSION

### Introduction

This chapter draws attention to the key findings and discusses how they advance our knowledge of the experience of transforming a business into a franchising model. The findings include the following:

- (1) Planning was emergent and iterative in nature, and it was dialectically related to practice.
- (2) Documentation materialised this planning process and shaped the emergent identity of the franchisor.
- (3) Sensemaking was at the heart of the following processes: planning, documentation, and strategy practice.
- (4) The nature of franchising posed an identity dilemma that was resolved through the creation of hybrid identities.
- (4) These hybrid identities were evident in the narratives in metaphorical ways.
- (5) If there was insufficient alignment between enterprise and identity, then franchising ceased.
- (6) There was an important relationship between identity centrality (IC) and ED (experimentation disposition) and the continuation of franchising.

This chapter discusses the findings that shaped the franchise start-up model that emerged from this study and then explains this model. It also discusses the findings are in relation to the literature.

### The Start-up Strategy of Franchising

Numerous studies have explored and conceptualised conventional business development life cycles, yet Floyd and Fenwick (1998) are the only scholars I identified who have taken that concept and applied it to franchising. However, this study went even beyond Floyd and Fenwick's model of franchise development to look at the most crucial stage of the franchise life cycle—the establishment of the first franchise (Dant, 2008; Watson, 2008, Holmberg & Morgan, 2003; Stanworth et al., 2004)—highlighting the challenge that lies behind each business founder to ensure the start-up stage considers fundamental guidelines for the franchise's future longevity.

### Planning (or lack thereof) During Start-up

Planning has been widely studied (Wolf & Floyd, 2013), and its benefits for strategic development are widely acknowledged (Armstrong, 1982; Hopkins & Hopkins, 1997; Miller & Cardinal, 1994; Powell, 1992). Despite this, there is scant empirical research investigating the

planning process during business development, and there are no known studies that have solicited narratives to capture franchisors' interpretations of franchise gestation from three participant groups: those who had ceased, the nascent, and the successful. Therefore, the findings from this study are undoubtedly valuable to scholars and business development advisors alike.

Barringer and Greening (1998) propose that business expansion requires substantial planning; however, for franchisors in this study, planning was not necessarily a priority. Yet, every narrative provided evidence that at least some minimal planning was undertaken initially, either prior to or in parallel with obtaining the first franchisees. Those who were challenged by planning reported being frustrated by what appeared to them to be "time wasting" and somewhat of a dubious task.

However, those who were "natural planners" flourished in this area; the way these franchisors translated their behaviour from the personal life into the franchise arena is consistent with the findings of Brush and his co-authors (2008), who found that individuals typically transfer their character and behaviour from routine life into business life. This suggests that advisors need to factor in individual's habitual business or personal behaviour and how this will reflect on their strategic planning and practice during significant business transformation.

This study's findings revealed that all franchisors made changes to their initial strategic planning, yet those who planned more initially made less significant changes later. This suggests that some form of initial planning was beneficial, a finding that is consistent with Wolf and Floyd's (2013) claim that strategic planning is positively linked with performance.

### Planning during Deliberate Action

Watson (2008) suggests that business development planning is more complex for those wishing to expand using franchising, and that it requires a formal planning process. According to Mitsuherg (1994), formal planning involves a degree of prediction and a rational sequence, where action remains dormant, while the plan is formally constructed before it is implemented section by section. Although Wolf and Floyd (2013) agree that strategic planning involves a formal process, they clarify that it is no longer recognised as *merely* a formal process, but that scholars are now also interested in how planning develops from actions within an organisation and what they actually do during planning episodes. The very word *episodes* highlight that scholars are currently looking at planning as it is happening in specific stages. Yet, this study's results indicated that planning did not necessarily involve specific events; rather, planning was

intermingled with action, and most of the planning happened as the business owners were “doing” the franchising of their businesses. It was far from a formal, structured, and separate process that occurred once to be subsequently implemented before other plans were formulated.

Therefore, while the strategy literature has recently been reconceptualising strategy as a verb (Mills, 2013), the same reconceptualisation must be considered for planning. Plans are not simply created prior to undertaking a new objective. Planning is something that we continuously do and redo through practice—in other words, we undertake *planning in action*. The narratives revealed that the franchisors experienced planning as continuous—as something that happened on the go, as they acted, as they made sense of those actions, and as they continuously fabricated new plans. From the point of view of the franchisors in this study, strategic planning constituted strategic practice.

These findings challenge conventional thinking about strategy and planning. They suggest that scholars and those who provide support for business owner/operators seeking to develop their businesses should encourage skills that support a continuous, fluid planning process. This is not to suggest that initial strategic planning should not be undertaken. Ample research has shown the benefits of initial planning (Wolf & Floyd, 2013), yet it is the culture of separating action and planning that has caused rigidity in our thinking about strategy and meant that studies such as this one challenge what this means in practice. Undoubtedly, Mankins and Steele (2006) would agree, as their study found that 89% of business owners are dissatisfied with the results of strategic planning, often desiring some form of adjustment made to the original plan.

### Refinement of Plans through Practice

Mills (2013) proposed that during new business gestation, strategic action is a cyclic process of improvising and adjusting according to external or internal changing circumstances. The franchisors’ narratives in this study suggest nascent franchisors’ behaviour mirrors that of the typical entrepreneur, in that the novelty and naivety imposes a similar iterative experimental process. Converting to a franchise business model involves learning experientially rather than through education in the same way as when undertaking a regular business development (See Rae, 2005). The franchisors’ narratives in this study revealed that by refining strategic endeavours, their strategies evolved through a cyclic process of planning, proceeding, changing, reflecting, refining and further planning, all consistent with the ongoing process of sensemaking as described by Weick (1995, 2005, 2006, 2007, 2012) and others.

Gergen (2009) acknowledges the fact that human characters are unique, not only shaped by social influences, but also by individualism. Despite planning strategically, the human element meant that in this study, franchisors' expectations and reactions as well as what franchisors found challenging had obvious, distinct implications on their refinement and creation of new plans. Additionally, expectations and reactions clearly differed from other franchisors.

### Documentation and Planning

Findings showed that documents were a material representation of strategic intentions, both for the franchisors themselves and for informing, guiding, and teaching franchisees. By creating documents themselves, or in collaboration with franchising professionals, franchisors materialised the initial strategic plans through the process of creating documentation. Cooren (2004) suggests that written texts play a role in planning and action by illustrating how documents "do things" as they not only inform, but guide, direct, and restrict attention to certain conduct for the planners and the intended audience. In fact, Cooren (2004) even suggests that documentation can set an authoritative tone when created, as was the case with franchise documentation in how it instructed and dictated actions.

Interestingly, while the documents formed part of the planning process for the franchisor, they also acted as a planning medium for the franchisee; documents became a guide for franchisees, and by reading through the documentation, they were guided and enabled to plan in collaboration with the written guidelines. In this way, these documents can be seen as boundary objects (Mills & Jeremiah, 2014) which are flexible artefacts pertaining numerous meanings to different actors from varied social worlds (Levina & Vaasts, 2005; Star & Griesemer, 1989). Further research would need to investigate the role of documentation from the franchisee's perspective.

### Narrative Sensemaking in Strategic practice

There has been scant research involving the examination of start-up narratives in order to gather founders' interpretations of their experiences. Exceptions include Mills (2011a), Mills and Pawson (2012), and O'Connor (2002), with even fewer scholars studying franchise start-up stories to understand from an interpretive perspective how business owners made sense of their franchising experience (See Mills & Pawson, 2006).

In this study, narratives provided the franchisors with the opportunity to express "who they are" and reveal the relationship between their self-perception and why decisions and actions were made. Brown and his co-authors (2008) would agree that narratives provide a vehicle for tapping into both identity and the meaning of decision and action. For example, they propose that



narratives are a powerful cognitive tool, providing the space to reveal underlying reasons for resistance to change (Brown et al., 2009). In this study, narratives proved to be ideally suited for the exploration of how the three franchisor groups made such a different sense of the same sequence of events. Their narratives provided the means to identify and analyse what franchisors agreed on and where their understandings differed (Brown et al., 2008).

Brown (2008) suggests that the reason sensemaking can be different among individuals with common experiences is due to partial and inaccurate information processing by some; this partial and inaccurate information processing can cause their interpretive actions to be susceptible to multiple distortions. This was true in this study: the perception of franchising that the ceased group had resulted from incomplete information regarding what franchising entailed and the purpose of franchising. Ultimately, such distortions had an evolving negative effect on strategic planning and actions during start-up, leading to the demise of the franchise format for the ceased group.

Studying strategic planning and action through a narrative inquiry was undoubtedly the best method. Planning, in part, is narratology (Brown, 2008), and this was clearly evident as franchisors from this study told stories of their future plans. They made predictions and narrated future solutions or objectives, as Fenton and Langley (2011) explain:

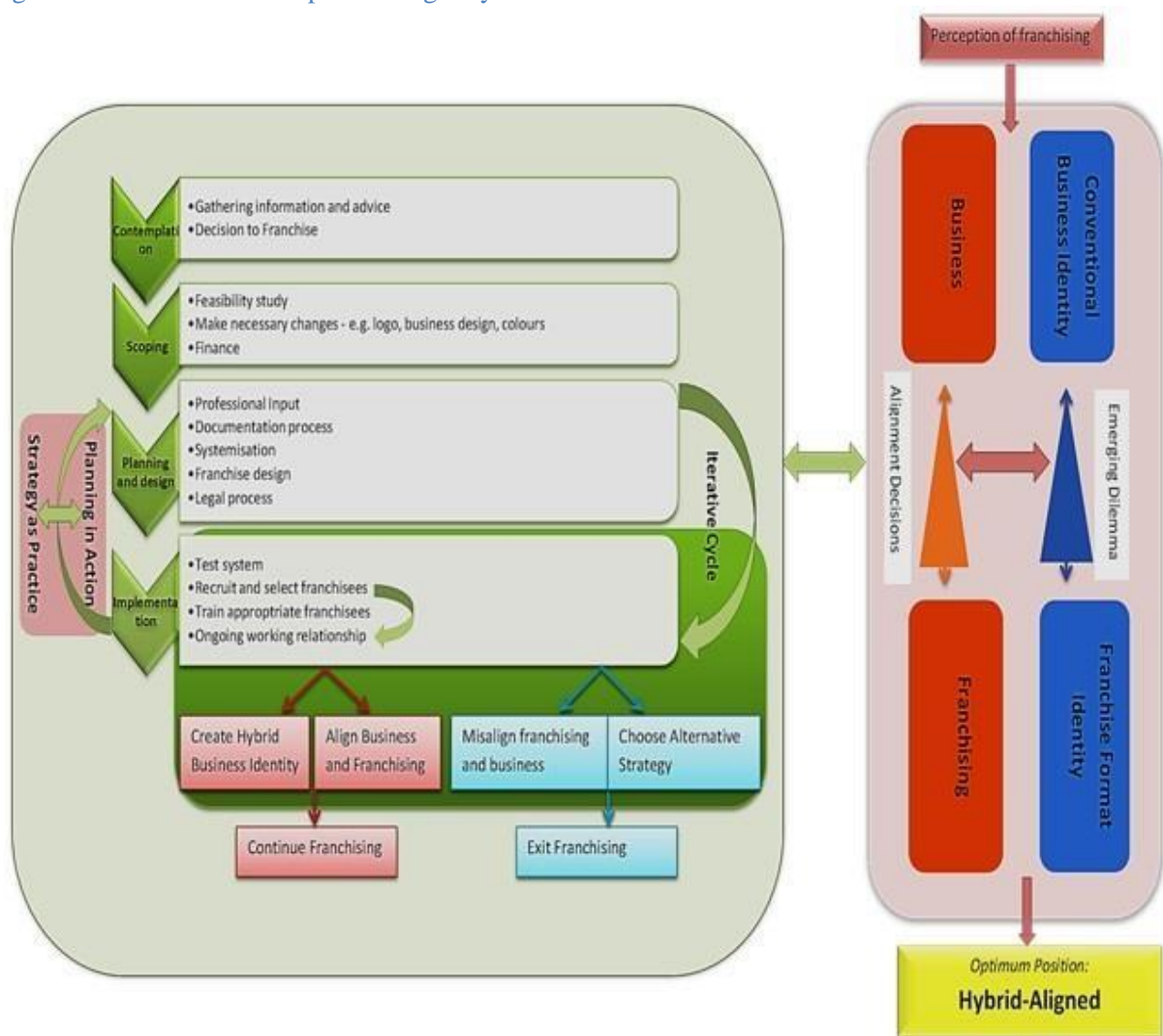
...narrative is seen as a way of giving meaning to the practice that emerges from sensemaking activities, of constituting an overall sense of direction or purpose, of refocusing organizational identity, and of enabling and constraining the ongoing activities of actors. (p.1173)

### Franchise Start-up and Longevity Model

Brush, Manolova, and Edelman (2008) claim that entrepreneurship research has empirically investigated start-up business to determine the causes of survival and failure. More recently, it has been proposed (Davidsson & Honig, 2012) that researchers have realised the importance of examining the early gestation period as fundamental to the business outcome.

The findings of this study revealed that there are four overarching stages to the franchise start-up process (outlined in Chapter 4), and drivers (alignment/lack of or hybrid identity/identity dilemma) to success or withdrawal of franchising. The franchise start-up and longevity model (developed from the findings of this study's research) is shown in Figure 12.

Figure 12: Franchise Start-up and Longevity Model



As depicted in the top right hand corner of the model, when choosing franchising as a means to expand, business owners brought with them their sense of self, their business, and their sense of franchising. After doing groundwork, business owners began stages 3 and 4 of the franchise start-up process—the iterative, intermittent process of planning and design and then implementation, which can take several years and during which time the franchise is more vulnerable to failure. This stage involved making changes to their businesses, inviting professionals aboard, reflecting on their self-constructed identities and on their businesses in relation to those self-definitions. It also challenged the business owners' resources and personal situations as they set about implementing the franchise. Especially for those who were unaware of the impact franchising would have on themselves and on their businesses, the surprise of the impact itself caused them to reflect and re-evaluate the decision to franchise.

As the model shows, the further the franchisors progress through the franchise start-up process, business owners are confronted with the emerging identity dilemma and the need for alignment decisions.

Because of the ceased group's skewed perception of franchising (e.g., the perception that franchising is just a tool), in many cases, the franchising outcomes provided evidence contrary to their perceptions. This group also failed to align franchising and the business by prioritising one over the other. Those that gave franchising precedence experienced shortcomings within the core business, and those who prioritised the core business ended up needing to terminate franchising.

In contrast, franchisors who continued clearly aligned franchising and the core business. There was an equal distribution of resources, time, and energy, and ongoing consideration and thought processes for both entities were evident.

Changes arising from franchising necessitated a conceptual and physical shift from being an owner/operator to being a franchisor, consequently challenging the self-identity of all business owners and their business as part of their self-expression. To accept the new identity, the successful franchisors reframed their identity and adopted a hybrid identity. The ceased franchisors retracted from any notion of being a franchisor and retained their original identity. These identity types were beginning to emerge in some members of the nascent franchise group.

The franchise star-up and longevity model illustrates that the way franchisors made sense of franchising, their creation of a hybrid identity, and their alignment decisions were all interlinked. Those who gave franchising less significance subsequently failed to create a hybrid identity and also failed to align franchising and the core business, instigating the provisional outcome. However, this is not to say that along the way franchisors cannot adjust their perception of franchising and actively adopt a hybrid identity or manage alignment.

The model demonstrates that the optimum position for franchisor success is to be "hybrid-aligned." Hybrid-aligned represents the intersection between where the old identity unites with the new and the where the conventional business is aligned with franchising.

### Alignment

Kavaliauske and Vaiginienė (2011) emphasise that a fundamental difference between franchising and the conventional business is ownership: franchising is a dual system that involves the ownership of both the core business and the franchise units by the franchisors, and the ownership

of the franchise unit by the franchisee. In addition to that difference, this study revealed that the amount of resources demanded by operating a business is in itself phenomenal and can be crippling (Klyver & Schenkel, 2013), notwithstanding choosing to add the franchising concept, which involves extensive time, resources, and changes. Price (1996, p. 39) suggests that the resources required to franchise may stretch a firm to breaking point, and indeed in this study, many were severely challenged by ongoing pressures that franchising demanded from them and from their businesses. Wadsworth and Cox (2011), who investigated franchise failure, indirectly discussed alignment challenges when they suggested that a franchisor needs to be committed to franchising; they highlighted that the key is to have a dual focus, as both a franchisor and a business operator. Otherwise, it may lead to eventual doom for the core business if the focus is only on building a franchise.

Although scholars (e.g., Stanworth et al., 2001; Price, 1996; Watson, 2008) warn about the mismanagement of resources during franchising that could lead to the demise of a business or franchise system, managing or reaching a state of equilibrium between both the core business and franchising has been overlooked in franchising literature, with the predominant literature regarding business alignment in the information technology domain (Venkatraman, Henderson, & Oldach, 1993). This is surprising given the duality of the fundamental core business with the added concept of franchising.

In this study, how resources were prioritised and allocated was linked to the way business owners perceived themselves in light of the changes caused by franchising. If a business owner's sense of self was challenged in some way, the subsequent decision to prioritise either franchising or the core business was effected. Koch and Shepperd (2004) would not be surprised by this finding; they suggested that when a new identity (e.g., franchisor) is in conflict with the original identity (e.g., business founder), individuals typically place disproportionate emphasis on dimensions that are in conflict, and they stress aspects in their daily lives that are likely to be more complementary to established identities.

The misalignment of resources allocated to both franchising and the core business was a significant contributing factor in fate of the franchises in this study. Stanworth and Curran (1976) would agree; they suggested that certain outcomes are predicable by the way a business owner, as the primary decision maker, comprehends new roles in relation to how they identify themselves. In this study, the successful franchisors who reframed their identity were strategic in their alignment, and, even while they lacked resources, they were able to strategically address how best to distribute available resources to reach and maintain a state of alignment.

## Identity

While it is recognised that the franchise start-up stage is similar to the entrepreneur start-up stage, the results of this study suggest there is a difference between the two. Prospective franchisors were already business owners and were launching a new business unit. Although this new business unit was a mirror of the original business, it created a conflict with original roles, methods of operating, and daily activities, which required adaptation or change. Strategic change is challenging (Janssen, 2013) and can increase the stress levels of the practitioners confronting their original rationale to change, as all franchisors in this study experienced. Clearly evident in this study, as in other studies (Watson, 2008), was the significant number of franchisors who were not expecting what franchising entailed and the extent to which it affected them, their roles, and their businesses.

Many studies have examined reasons behind resistance to change. Some suggested risk aversion (Gray, 2002), or level of comfort with change (Cyert & March, 1992) explain this resistance. In this study, the transition from being only a business owner/operator to also being a franchisor significantly threatened the current cognitive state of the self and the venture; therefore, the prevalent resistance to this change was the clash with “who I am” and “what I created.” Few studies have looked at what role identity plays in change (Hoang & Gimeno, 2010), particularly in business development. Hoang and Gimeno (2010) were a rare exception; they discovered that when one role conflicts with another role, this can cause a self-conflict to occur. Typically, individuals orientate to roles that confirm their sense of self and behaviour in a manner that reinforces “who they are,” as was clear in this study.

Although it has been said that identity is socially constructed (Down & Warren, 2008), in this study, the multifarious nature of self-identity (Mills, 2011a) meant that the dilemma faced was not brought on in the first instance by a social contributor; instead, this was an internal conflict, challenging the very crux of who the participants perceived they were. Self-identity is the thread that fabricates lives and influences behaviour, and, as this study demonstrated, persistence, practice including planning, and decision-making stemmed from how each business person made sense of his or her self. Of course, this happened in social situations as they interacted with other people and texts.

The participants’ self-identities were gathered from their narratives and from how they spoke about themselves. Their self-identity was expressed in various ways; however, it was generally expressed as self-labelling or in reference to how they interpreted who they were. Franchising, for the ceased group and indeed some of the nascent group, was an inhibitor to enacting their

sense of self; this was apparent by a disjunction between how they identified themselves, how they made sense of franchising, and their expectations of what franchising was going to be like. On the other hand, franchising provided the successful group an experimentation space in which they could expand and develop their sense of self.

Self-identity can be temporal; this study demonstrated that “who we perceive ourselves as” is continually open to reconceptualisation and reframing due to changes, motivations, experiences, social interaction, and maturity. Some were able to adjust their sense of self to become franchisors by the adaption process of reframing through creating metaphoric dual identities.

The identity dilemma between the original business identity and franchising identity mirrors in many ways the struggle between business and clinical discourses revealed in Cohen and Musson’s (2000) case of general practitioners, suggesting that wherever business is coupled to another type of pursuit, the founders are likely to encounter conflict caused by competing priorities and ways of operating. What was clearly evident from the current study was that when change conflicts with one’s self-identity, it can cause such powerful self-conflict and disconcertion that such an endeavour is abandoned. Yet, it was not until the franchisors were in the process of franchising that they began to realise this; this finding is in line with the findings of Stanworth and Curren (1976), which indicated that the full consequences of growth change are not always anticipated.

A search of the franchising, management, and entrepreneurship literature reveals that while there are limited studies that have examined identity regarding franchisees, the link between a business founder’s identity and business expansion, or indeed a franchisor’s perspective, has neither been theoretically nor empirically examined. Thus, the franchise start-up stage and longevity model that emerged from the narrative analysis in this study is highly significant, because it suggests an interesting new direction for franchising research. Firstly, it summons further research to investigate the extent to which the relationship between identity and sensemaking (especially during franchising) explains the behaviour of business founders during the start-up process, and secondly, it questions whether those scholars who research franchise failure also need to factor in the role that identity may play in franchisors’ decisions to exit franchising.

### *Identity and Metaphoric Framing*

Interestingly, the majority of successful franchisors reframed their identity in a metaphorical form, such as with mature identity or multiple hat identity. The deployment of metaphors permeates the organisation change literature (e.g., Beech, Kajzer-Mitchell, Oswick, & Saren

2011; Sackmann, 1989; Oswick & Grant, 1996; Jacobs & Heracleous, 2006; Marshak, 2009). Its use is often “deeply embedded [and] unconscious,” and its benefits are “taken-for-granted” (Beech et al., 2011).

Practitioners themselves are activists in welcoming and promoting the use of metaphors as fundamental to not only communicate change initiatives, but also to play a facilitative role in the acceptance of organisational adjustments (Beech et al., 2011). As was evident here, deploying metaphors reinforces conceptual coherence (Lakoff & Johnson, 1980) and systematised cognition (Cornelissen, 2005). Seen this way, by conceptually repositioning the sense of self, the metaphors were, themselves, the hybrid of the two identities, causing identity coherence and unification.

#### *Intrinsically Rewarded from Self-Enactment*

Mills and Pawson’s (2006) case study looked at the relationship between risk, motivation, and self-identity and found that the passion and motivation to start and continue in business was not necessarily financial. The desire and passion for the participant’s product and target market could be a more dominant consideration than making money. Similarly, this study also revealed that the strategic decision to continue franchising did not merely stem from extrinsic motives (e.g., financial gain); it was strongly influenced by intrinsic motivations (e.g., reinforcing sense of self) that encouraged the successful franchisors to persist with franchising.

Stanworth and Curran (1976) suggested that certain outcomes are predicable by the way business owners (as the primary decision-makers) comprehend new roles in relation to how they identify themselves. This doctoral study revealed that when business owners decided to franchise, it happened within the context of their sense of self, their sense of business creation, their sense of franchising, their unique aspirations, and their motivations. Stanworth and Curran (1976) would not be surprised by this finding, as they claim that actors rely on a mental stock of “meanings” that influence subsequent decisions and how individuals accept or reject certain outcomes. This was certainly evident in the study reported in this thesis. The franchisors’ narratives suggested they made sense of what was happening by comparing it to other situations and how they had made sense of them. Only those franchisors who made the conceptual shift and reframed their identity as a hybrid identity were able to continue franchising, as their actions were intrinsically rewarding and aligned with their new sense of self.

Stanworth (1994) states that business owners make an assessment of a course of action taken and conclude from a balance of social and psychological costs that some changes or actions lack

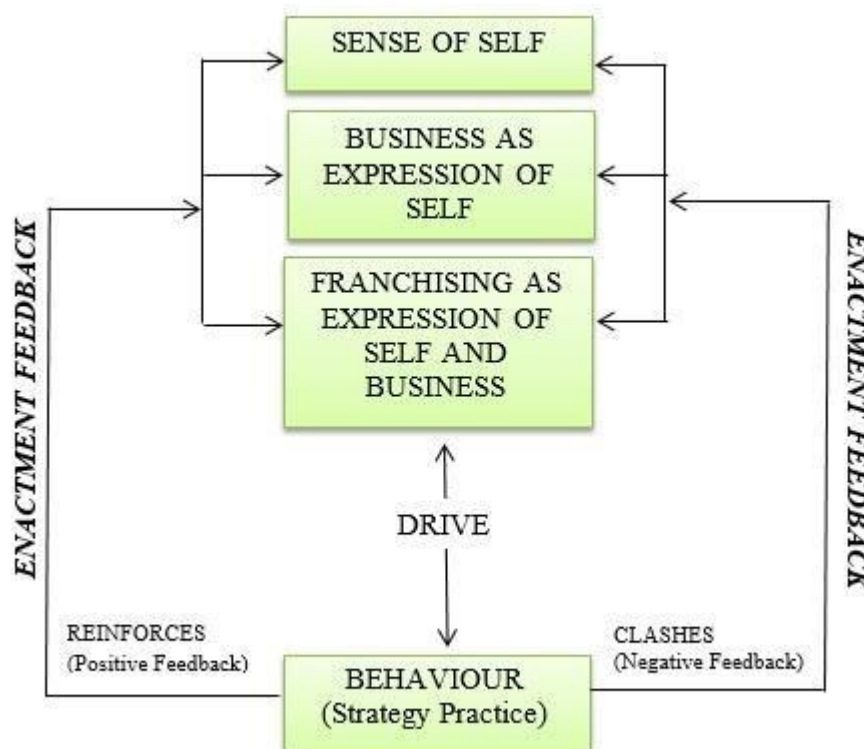


sufficient payoff. The ceased franchisors in this study strove to maintain a sense of personal autonomy and loyalty to who they perceived themselves to be as business persons (e.g., IT technicians) and as individuals. Many quickly discovered franchising compromised their sense of self. For the ceased group, the cost of persisting with franchising far exceeded the cost of terminating as their self-enterprise fit (Mills, 2011a) was not good. Therefore, as Janssen (2013) reminds us, change is not only progressive in nature but can also be regressive, where one goes back to the previous state that existed before the change occurred. The ceased group perceived that franchising meant giving up who they were, what they had created, and why they had created such a venture; unable to create a hybrid identity, they regressed and chose an alternative strategy.

### The Relationship between Identity and Alignment in Strategy Practice

The narratives revealed a competing set of demands: one for the franchise and one for the business. This study highlights the importance of understanding the direct link between self-identity, what one does, and why they do it, (strategic planning and practice and sensemaking) and the business outcome. How we perceive our self, our business creation as a sense of self, and franchising as an expression of self and business, in turn directly or indirectly affects our behaviour, and our behaviour then reinforces or clashes with our sense of self. The diagram in Figure 13 demonstrates the direct link between self-identity and strategic practice.

Figure 13: Self-identity and Strategic Practice

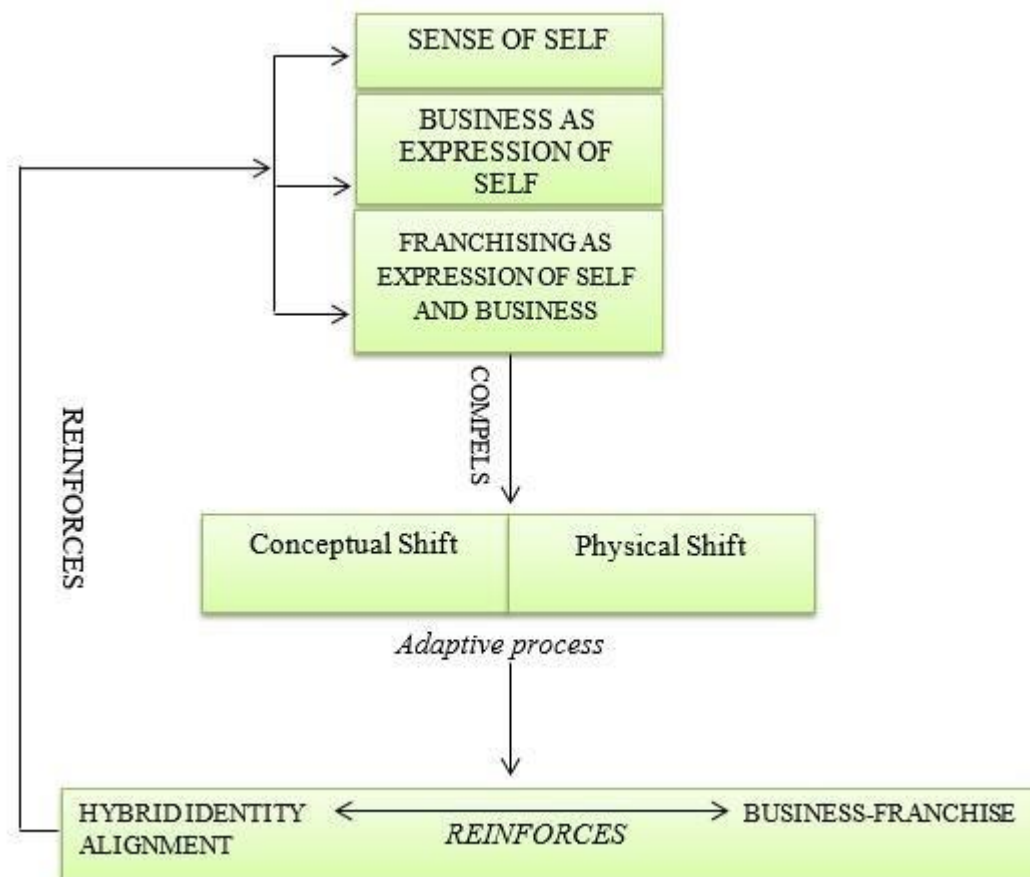




The feedback loop shown in Figure 13 is either negative or positive, and it involves cyclic actions that either reinforce or clash with sense of self. Business owner/operators may be happy doing tasks involved in enacting a certain identity; however, when a new identity threatens such activities, the new identity is perceived as incompatible and as a threat to the existing self. For example, an owner/operator may be an accountant and run an accounting business, which requires a thorough, calculated, and methodical enacted self. Once becoming a franchisor, the founder may suddenly have to make quick decisions or be opportunistic. This divergent identity as a franchisor may demand aspects that the current character clashes with, giving negative feedback. This is called an identity dilemma or inter-identity tension. Those with more flexibility in self may then be able to consider other alternatives as the new self. Specific cognitive configurations of founder identity will produce different kinds of experimentation, from abandonment to acceptance.

The successful group's start-up stories were flavoured with resolving competing demands and alignment, both of which became possible only by adjusting their sense of self. The diagram in Figure 14 shows the self-identity, reframing, and self-enactment of the typical successful franchisor and illustrates the hybrid identity as a compromise of both identities.

Figure 14: Self-identity, Reframing, and Self-Enactment



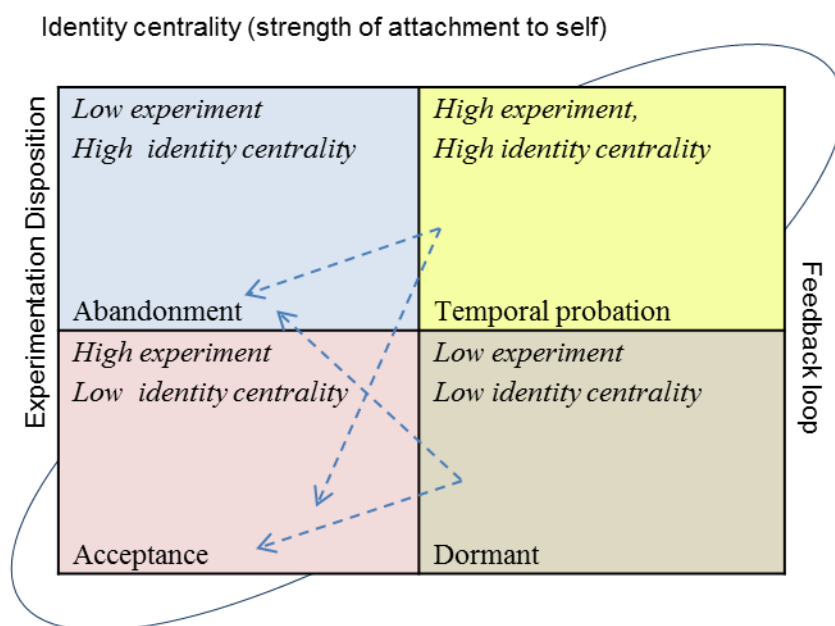
Individuals orientate towards actions that are congruent with one's self-characterisation. Those who viewed franchising as complimentary to their self-definition merged the two and made sense of the transition as an affirmation of self. As Figure 14 shows, if franchisors reframe, their persistence increases as they are able to cognitively position challenges parallel to themselves and consequently, their sense of self is reinforced. However, if this adaption process doesn't happen during the start-up stage of franchising, which can last up to 5 years, franchisors regress back to original state, which affects subsequent behaviour and misalignment then occurs.

#### *Identity Centrality and Experimentation Disposition*

Why were some franchisors able to create a hybrid identity while others could not? A concept fundamental to explaining this is identity centrality (IC), which refers to the level of psychological attachment to one's identity (Hoang & Gimeno, 2010). Although it has been said (Settles, 2004) that individuals hold many identities of themselves (e.g., mother, scientist, and gardener), out of those identities, there is a dominant identity (Hoang & Gimeno, 2010) that is self-defining. Experimentation disposition (ED) explains an individual's orientation to consider and negotiate other identities as relevant to self.

Identity-centrality is key in explaining successful transition to or abandonment of franchising because it can influence behaviour even prior to changing identities (Hoang & Gimeno, 2013). Some individuals are more susceptible to maintaining strong attachments to their self-identity and are therefore threatened by competing identities and behave in ways that will suppress other identities.

Figure 15: Identity Centrality and Experimentation Disposition Matrix



The top left quadrant of Figure 15 illustrates that a low experiment orientation and high identity centrality can lead to abandonment of the new identity. The ceased franchisors in this study fell within this quadrant, as their low experiment orientation and high identity centrality left them unable to bridge identities. Researchers have agreed that a transit may be abandoned if impersonating a new identity is not self-representative (Hoang & Gimeno, 2010). For example, a bakery business founders from this study wanted to consider themselves bakers rather than franchisors. High identity attachment influences cognitive processing in the direction of nurturing, rather than questioning, strongly held self-beliefs (Fiske & Taylor, 1991), as was evidenced in this study.

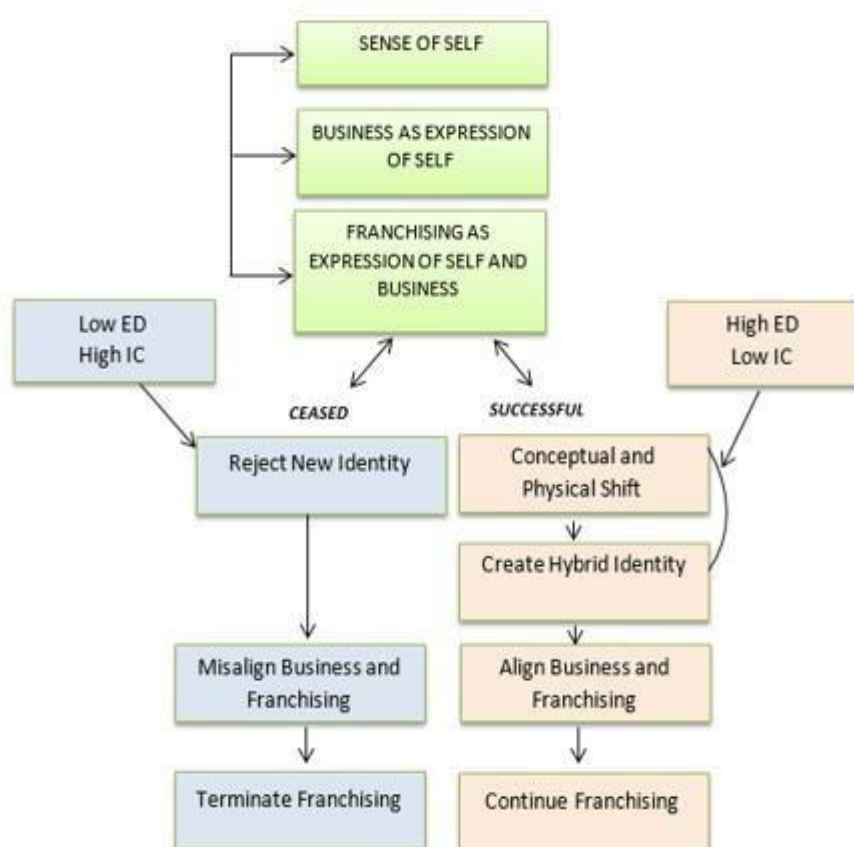
The bottom left quadrant of Figure 15 illustrates a high experiment orientation and low identity centrality, which provides the optimum space for negotiating and accepting other identities. The successful franchisors and some of nascent franchisors fell within this quadrant. This position did not mean that they were not attached to their sense of self, but that their attachment was not rigidly self-defining; therefore, they were able to objectify their self-perception. Low founder central identity is also likely to facilitate (re)interpretation of other identities (Burke, 2003) in ways that enhance compatibility of the owner/operator with a franchisor identity.

The two right quadrants represent the position of some of the nascent franchisors; however, a follow-up study would be needed to explore how and why they shift quadrants. The bottom right quadrant illustrates low experiment orientation with low identity centrality, or low attachment to the current self-identity. Nascent franchisors who fell in this quadrant were in a state of

dormancy; being a business owner was something they had undertaken, but there was more of an objective connectedness. The top right quadrant illustrates high experiment orientation with high identity centrality. Nascent franchisors who fell in this quadrant had a high ability to experiment with their perceived selves and had high identity centrality, resulting in destabilising tension between the curiosity to deviate and a pull towards strong self-attachment. Many nascent franchisors found themselves in this state of temporal probation, experimenting just outside their comfort zone.

Figure 16 illustrates the links between IC, ED, alignment, and outcome. At the intersection of success or termination lies identity centrality and experimentation disposition. The left side demonstrates the ceased franchisors, who were unable to enact the new identity and refrained from aligning, while the right side demonstrates the successful franchisors, who made the conceptual and physical shift required to align both the core business and the franchising.

Figure 16: Links between IC, ED, Alignment, and Outcome



## Conclusion

This chapter explained the franchise start-up and longevity model that emerged from the findings of this study. This model encapsulates the start-up process and integrates the key findings from

earlier sections and chapters. It shows how making sense of franchising significantly impacted the alignment of the core business, both initially and throughout the remainder of the franchisors' start-up narratives. As the franchisors progressed through the start-up stage, they were increasingly confronted with decisions to align the conventional business and the franchise format and a stronger identity dilemma. The model shows that the optimum position for franchise success is to be hybrid-aligned, which is a uniform state of unanimous direction that is only possible from the unification of the original self-identity and new self-constructed identity. The significance of this model will be discussed in the next chapter.

## CHAPTER EIGHT: CONCLUSION

### Introduction

While it is not a new business model, globally, franchising has become increasingly popular as a model for business growth and development (Gonzalez-Diaz & Solis-Rodriguez, 2011). Franchising has been observed as the fastest growing form of retailing in the world and is having a significant impact on the exporting market in the global environment (Dant, 2008; Stanworth et al., 2004). Franchises can spread faster nationally than non-franchised businesses, and can contribute significantly to employment creation and economic output as well as providing multiple self-employment opportunities (Purdy, et al., 2004). Franchising also offers opportunities for business growth for the franchisor and creates small business prospects for potential franchisees (Purdy, et al., 2004).

Nevertheless, establishing a franchise is by no means low risk, with one study showing that over three quarters of franchise systems fail within the first 10 years (Scott, 1996). Stanworth, et al. (1997) confirmed these findings, pointing out that although franchise failure rates were comparable to the conventional small business, franchising can be riskier for the first 4–5 years of the business's life (Fenwick & Floyd, 1998). Not only do a significant percentage of new firms starting to franchise fail (Holmberg & Morgan, 2003), but many businesses also cease franchising within the initial few years.

Despite the extensive empirical research undertaken over many decades and many scholars agreeing on the significance of the franchising start-up stage for franchise longevity (Floyd & Fenwick, 1998; Holmberg & Morgan, 2003; Stanworth, Purdy, English, & Willems, 2001; Watson, 2008), there is a noticeable gap in the literature exploring the start-up stage of franchising. Given the substantial global benefits of franchising, and the high failure rates of new start franchisors, the lack of empirical literature focusing on the gestation stage of franchising is surprising.

The purpose of this study was to address this gap in our knowledge by examining franchisors' interpretations of their first franchise start-up experience. In so doing, the aim was to uncover franchisors' strategic planning and practice during start-up and its effect on franchise longevity.

Therefore, the research question underpinning this investigation asked: "During the start-up stage of franchising, how does the strategic evolution (implementing the franchise strategy

combined with franchisors' sensemaking) set the stage for franchise continuity?" The findings enabled the production of a conceptual framework that I hope can be useful as a template for further research and, if its wider applicability is confirmed, also useful as a framework for predicting whether a prospective franchisor is likely to meet success if he or she contemplates the transition to a franchise business model.

The rest of this chapter builds on the discussion in Chapter 7 in order to show how this thesis contributes to theory and practice. It discusses the strengths, limitations, and implications of this study, and it shows how this study provides a template for further research.

### Useful Contributions to Theory and Practice

While all narratives shared some features, the ways the three groups' interpreted their franchise gestation period varied in ways that distinguished them from each other. The narratives were key in understanding the sense that franchisors made of their experience and provided a platform with which to compare the three groups and uncover key contributors to franchise longevity.

The franchise start-up stage interpreted by the franchisors consisted of four keys stages. These stages, listed as follows, primarily encapsulated the entire gestation period (lasting up to 5 years):

1. Contemplation Stage (involving a degree of information gathering and advice),
2. Scoping Stage (involving finance, feasibility studies, and making any necessary changes to the business),
3. Planning and Design (involving professional input, documentation, systemisation, franchise design, and legal processes)
4. Implementation (involving testing systems, recruiting and selecting franchisees, training franchisees and establishing ongoing working relationships)

The ongoing evolution of strategic planning and practice ran through all the above stages. Although there were no distinct differences between the three groups, there was a common thread clearly evident in all 53 narratives: franchisors interpreted planning as an ongoing and iterative process, subjective to change and refinement that was concurrent with strategic practice. In fact, strategic practice and planning were conflated and it was franchisors' sensemaking that influenced subsequent actions. It was the process of making sense of this strategic practice and planning nexus that moved the franchisor forward. In other words, it wasn't strategic practice and planning per se, but the way sensemaking was woven through this strategic practice and planning that accounted for business development. How the franchisors made sense of (interpreted) what they were doing and planning gave the process integrity.

A key disparity between the narratives of the start-up stage was in the way that business owners made sense of franchising. The unsuccessful (ceased) franchisors spoke of franchising as a means to somehow improve or add value to their conventional businesses, while others considered it merely an experimental phase of their business. The successful franchisors perceived franchising as a separate, equal, and interdependent entity. The nascent franchisors' interpretations reinforced that these interpretations were not merely distortions from hindsight and cognitive bias, as there were distinct trends in the nascent group of some franchisors replicating the successful group and others the ceased group. The way franchising was perceived had a prolonged bearing on subsequent planning and actions.

The successful and ceased franchisors' interpretations revealed a distinct variance between their actions. Successful narratives revealed dual focus in their cognitive processing, planning, practice, and dealings with franchisees and professionals. It was clear that franchising and the business were aligned by regulating managerial practices, strategic planning and practice, and resource allocation. By so doing, this ensured that both entities were positioned in proper relative importance, operating as mutually dependent entities that significantly improved the prospects of success. On the other hand, the ceased group either gave precedence to the conventional business or the franchising aspect, causing the disabling tension of prioritising resources to one while extracting from the other. Ultimately, this either caused voluntary franchise withdrawal due to the franchise deterioration, or detrimental effects to the core business, likewise prompting franchise withdrawal. There were similar patterns in some franchisors of the nascent group that mirrored the successful participants, while other franchisors reflected inconsistencies similar to the ceased group.

Although the key contributor to the franchise outcome lay in the lack of alignment, understanding why some aligned and others did not was imperative to a wider depiction. All 53 participants, as a result of franchising, experienced some form of change to their daily roles, their daily activities, their businesses, and to how they saw themselves and their business as an expression of self. All business owners reported being challenged, when, "who I am and what I do" (e.g., a baker and running a bakery), was replaced by a franchisor role and a franchised business. The progressiveness, the unexpectedness, and the nature of these changes prompted many franchisors to reconsider the franchising concept. These quandary franchisors faced is called an identity dilemma—the internal conflict that a business founder experiences when the original identity cannot be solely enacted because a new identity is also required, and/or when one's original self characterisation and their business as a lived expression of self has altered.



As shown by the narratives of the successful group, these franchisors undertook a conceptual and physical shift in order to reframe their original identity into a collaborative hybrid identity. Creating a hybrid identity was essential to allowing the new self to be enacted in harmony with the old. The ceased franchisors were not able to create a hybrid identity; they misaligned their business and subsequently terminated. The nascent groups' narratives revealed patterns of some following trends of the successful group and reframing their identities, while others were rejecting the new franchisor identity.

Identity centrality (IC) and experimentation disposition (ED) explained why some franchisors were able to make the cognitive and physical shifts necessary to create a hybrid identity, while others could not. Identity centrality is the strength of the psychological attachment to one's identity and experimentation orientation refers to the extent that an individual is disposed to stretching their comfort zone and considering other identities. The successful group demonstrated low IC and high ED, providing the optimum position to reframe their identity and enact a hybrid self. The ceased group demonstrated high IC and low ED, restricting their ability to reframe a new identity, and, subsequently rejecting the new identity, resulting in the termination of franchising. Because the nascent group was still in the process of franchising, unlike the other groups, this group demonstrated predominantly either low ED and low IC causing temporal probation, or high ED and high IC, causing a state of dormancy. However, a few nascent franchisors were in the later stage of start-up and some demonstrated low IC and high ED. It is possible for these states to be temporal, although further study including follow-up of the nascent franchisors would be needed.

This study demonstrated that strategy planning and practice stems from how we see ourselves, and that not only do individuals enact their identities, but individuals are motivated to act in ways that reinforce that sense of self. This study demonstrated that strategy practice is identity forming, and in turn, identity effectuates how strategy is formed. Ultimately, to promote successful continuation of franchising, the optimum position is to be hybrid-aligned. These findings provide a new way of looking at start-up that highlights the role of identity and provides concepts for doing this: IC, ED, and hybrid identity.

Overall, by pinpointing that the lack of alignment that results in franchise termination is caused by a failure to anticipate and navigate a significant dilemma at the most critical time in franchise development, this study makes a valuable contribution to the scant literature on business owners' experiences of changing to a franchising model. In addition to its practical implications, this

study of franchise start-up has advanced our understanding by the way it creates a conceptual framework incorporating the concepts of franchise success or failure, strategy practice, self-identity, and alignment. This framework suggests that successful franchise development is intricately linked to core business-franchise operation alignment that is ultimately resolved in the process of creating a hybrid identity, which creates a space for the owner-operator to act from a sustainable sense of self.

### Strengths

Longitudinal research of early gestation has uncovered the complexity of start-up by examining how founders achieve milestones (Delmar & Shane, 2004), react to feedback (Gatewood et al., 1995), and create new social connections (Lee & Tsang, 2001). Although these models uncover different perspectives, they currently ignore differences in individuals' conceptions of the franchisor role and variations in the subjective importance placed on undertaking such an endeavour. This study fills this gap by examining the psychosocial dimensions of becoming a franchisor.

A significant strength of this study lies in the high number of participants ( $N=53$ ) who gave their stories of how they franchised their businesses. This is a large group, given the size of the country being studied, and this number meant that an extensive, in-depth study could be conducted and a wide range of franchisors were able to provide interpretations of their lived experiences. The participants formed three groups of franchisors: ceased ( $N=17$ ), nascent ( $N=14$ ), and successful ( $N=22$ ), meaning that each version of events was captured from the perspective of either their withdrawal, developing experience, or success.

Another strength of this study lay in the strict selection criteria that limited hindsight bias, maintained consistency, eliminated potentially unrelated non-franchise factors, and ensured that the findings were not industry-specific or associated with a certain type of franchise (e.g., mobile<sup>4</sup>). Despite to the selection criteria and the limitations that the researcher faced (e.g., sourcing willing participants, locating ceased franchisors), this study captured the population of franchisors ( $N=53$ ) that matched the criteria.

Asking franchisors about their stories surpassed other methods by enabling the collection of franchisors' interpretations of their start-up experiences; it provided the space to self-characterise, and it provided the opportunity to narrate the future and make sense of past actions

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<sup>4</sup> A business that can be either transported by a motor vehicle or is self-contained in a motor vehicle

and plans in a way that encapsulated the past, the present, and the future to be recounted from each individual's viewpoint.

### Limitations

The conceptual model created from this study does not account for other external factors that may contribute to franchise withdrawal (e.g., death, financial loss). However, this was a study of how business owners experienced establishing their first franchise. Because the aim of this study was to tap into this experience from the business owner's point of view, it addressed the issues that the franchisors brought up.

This study does not account for those who have franchised before, as only franchisors that were new to the franchising concept were interviewed. Further studies would need to investigate if this study's findings mirror those of repeat or serial franchisors.

While gathering franchisors' interpretations of their lived experiences was the primary objective, other key characters' stories were also pursued. However, these were very challenging to obtain. Many franchisors were not willing to allow other key members (e.g., partners) to be interviewed, as they did not consider it time-worthy or necessary. There were rare exceptions, however, when brief stories were told from the perspective of other key franchise participators. There is an opportunity for future studies to explore the experience of other stakeholders in a franchise start-up process.

Studying franchisors' strategic endeavours and actions can be challenging. Typically, an ethnographic study that follows a franchisor around while they start a franchise would be ideal; however, this study was constrained by time and financial limits. Therefore, a narrative approach was best. This study sought to capture the thought processes of strategy practitioners regarding how strategy was planned, created, and then made sense of.

Research bias is often debated in qualitative research. As this study was interpretive, and the researcher was also interpreting the results, the possibility of bias must be raised. However, the researcher took care to monitor her influence on the data collection and analysis processes. Despite this, inevitably her interpretations are woven into the findings and the way they have been reported. She wishes to acknowledge the fact that her voice is inextricably woven through the thesis (as it is in any interpretive study).

## Implications

New Zealand has a large number of franchising specialists in the form of consultants, accountants, and lawyers. This is perhaps due to a recent increase in the popularity of franchising in New Zealand, which currently has the largest number of franchises per capita worldwide. Furthermore, the relationships between training and support (Watson, 2008) are not well-researched, particularly regarding franchise longevity. Not only does this study help to redress this situation, the conceptual framework it has created has several significant implications for education and policy development in franchise associations.

First, franchising is typically portrayed as simply a duplication of the conventional business, similar to other business expansion methods (Stanworth et al., 2004). This study challenges the accuracy of this portrayal. It indicates that during franchise start-up, franchisors may encounter an identity dilemma that is best resolved by reframing their identity as a composite phenomenon.

The challenge is to encourage pre-franchising advice that incorporates or is grounded in realistic franchising experience. Part of this grounding clearly needs to involve revealing the nature and implications of the business identity dilemma franchisors may face, while assisting franchisors to understand their personal orientation towards change, their experimentation orientation, and the level of psychological attachment that individuals place on their self-constructed identity.

This study has highlighted the difference between starting a conventional business and starting a franchise. A vast number of people including scholars, support agencies, educators, and even business people who consider franchising their business are not fully aware of how starting franchising brings unique challenges. The findings from this study suggest that the decision to convert to a franchise model needs to be based on a careful examination of the motivations to franchise and how the owner-operator perceives the franchisor role prior to investing in the expensive and time-consuming process of adopting the franchise format. Failure to ensure awareness of what franchising entails, of the associated role changes, and of the potential changes to their business may result in franchise rejection, ultimately leading to withdrawal from the franchise format.

The competing set of demands for both the franchise and the business also calls for franchise advisors to give guidelines regarding how to best align both entities. This study challenges scholars and franchise advisors to closely examine the direct link between self-identity, actions (strategic planning and practice and sensemaking), and business outcomes. In order to maintain and retain their business clients, franchise professionals often promote only the positive sides of

franchising (Watson, 2008); however, considerable responsibility lies with franchise professionals to be ethical and communicate a realistic and complete picture of franchising.

Secondly, this study, amongst many others, has acknowledged significant tension between franchisors and franchisees (Holmberg & Morgan, 2003; Dant et al., 2011; Chabowski et al., 2011; Purdy et al., 2004). The challenge is to set up a franchise institution in New Zealand, similar to Australia, whereby both potential franchisees and franchisors can receive training and entry-level or higher franchise qualifications. This will not only make franchisees and franchisors more attractive prospects reciprocally, but will alleviate the pressures or misconceptions that come with franchising, while forming a basis of knowledge that will precaution both franchisees and franchisors to make more sound, calculated decisions.

Finally, while specific franchise legislation exists in some countries, there is no specific legislation relating to franchising in New Zealand, as the sale of businesses and business practices is covered by normal commercial law (Flint-Hartle, 2010). Because there is a high rate of franchise failure in New Zealand, especially during the first few years of franchising (Flint-Hartle, 2010), I argue that some form of regulation should be brought in and believe that good operators would welcome it as a way of ensuring the continued development and survival of ethical franchising in New Zealand.

### Future research

The next challenge is to investigate how typical the model outlined in this study is, whether it applies to franchisors who have franchised before, and whether it varies in its applicability in other cultures, or to those who did not actually establish the core business, but purchased or inherited the business and then initiated franchising. These findings suggest that it might be worth exploring how significant business change (such as moving to a franchise model) not only alters or challenges *franchisors'* sense of their business identity, but also if *business owners* are confronted by an identity dilemma when expanding *conventionally*.

Future studies need to explore the link between identity and enactment in conventional business methods and compare the founders' self-characterisation and how they strategically plan and practice.

The extent of future research is by no means exhausted by the above list, and there is vast potential for studies focusing on franchising and franchise start-up. Nevertheless, what is clear is that as a franchise start-up model, the model that emerged from this doctoral study captures

business owners' experiences of the important stages of franchise start-up, and in so doing, not only creates a platform whereby others may be better informed to follow in their footsteps, but also enables professionals and franchisors to predict shortcomings and potential challenges that may arise during franchise gestation.

## Conclusion

This study is undoubtedly the beginning of a new direction of research that can impart the necessary empirical findings on the franchise start-up stage and how it impacts on franchise longevity. This study has pioneered a platform whereby other scholars can extend this knowledge by making several significant contributions.

Firstly, this study has generated new concepts, including hybrid identity, identity dilemma, and experimentation disposition, as well as applying other concepts, such metaphorical self, strategy practice, and identity centrality, to conceptualise the experience of starting franchising. The empirical evidence from this study generated a model of how franchisors experienced their lived experiences of becoming franchisors. This model presents a significant relationship between IC and ED and the continuation of franchising that is not only novel, but also represents a useful contribution in that it can assist prospective franchisors and business development agencies.

This novel boundary-spanning model links strategy practice, planning, sensemaking and transitioning together to create a franchise business model. First, it presents an original conceptual framework grounded in new franchisors' experiences of starting a franchise, and it presents an emerging identity dilemma faced by franchisors that permeates their business development narratives. The model has considerable practical value as a diagnostic tool for franchise development, and it promises to become a useful framework for scholars seeking to understand franchise start-up and the associated change that occurs as the identity dilemma is confronted. By capturing the essence of how different franchisors approach this dilemma, this conceptual framework, which I have called, the franchise start-up and longevity model, provides a much needed means to confront the complexity and significance of franchisors' start-up experiences. In so doing, it has the potential to facilitate more effective targeting of training and development support and policy development. Such a mechanism is important given the wide-ranging and escalating challenges confronting franchisors in a highly franchised, yet challenged business domain, particularly in New Zealand (Flint-Hartle & Weaven, 2010).

Secondly, investigating the evolution of strategy presented many interesting findings, which opens a wide research arena for other empirically-based studies. It has shed new light on how

planning and practice is implemented in a franchise start-up process that will be of value to prospective franchisors as well as to those agencies seeking to support this method of business development.

Thirdly, business owners' interpretations of their franchise start-up process is a key influencer in how their franchising venture progresses. It is indicative of franchising longevity. As a result, this study has highlighted the need for awareness of the role of self-characterisation influencing planning and actions and the positioning of franchising relative to the business.

Finally, this study demonstrates how an empirically-based theory linking sensemaking to experience can be generated from a narrative approach that encourages business founders to share not only the stories of their experience, but also how they make sense of their experience. As such, it provides a template and an invitation for further studies of the experience of franchise start-up in other countries from a narrative sensemaking perspective.

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## APPENDICES

### Appendix 1: CEASED Participant Profile

INDUSTRY	SEX	PRIOR BUSINESS EXPERIENCE	AGE	BUS PARTNER	HIGHEST QUALIFICATION	PRIOR PROFESSION	TIME BETWEEN SETTING UP BUSINESS & INITIATING FRANCHISING	FRANCHISE TIME LENGTH	EXPOSURE TO BUSINESS AS CHILD
ARTS AND RECREATIONAL SERVICES	M	Property Investment	50-59	Yes (Not Spouse)	A New Zealand Certificate in Telecommunications.	Property Investment	3 Years	1 Year	Yes
ACCOMODATION AND FOOD SERVICES	M	Design Business	50-59	Yes (Spouse)	University Entrance	Architectural Designer and a Qualified Registered Nurse	5 - 6 Years	2 Years	No
ACCOMODATION AND FOOD SERVICES	M	Baking: Family Business	40-49	Yes (Spouse)	Trade Certificate	Baker	3 Years	3 Years	Yes
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES	M	Business Consultancy	40-49	No	Bachelor of Management	Manager	2 Years	4 Years	No

CONSTRUCTION	M	Family Business	50-59	No	University Entrance	Family Business Operator	40 Years	4 Years	Yes
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES	M	Apple Dealership Business	40-49	Yes	University Degree	Computer Technician	2 Years	7 Years	Yes
ADMINISTRATION AND SUPPORT SERVICES	M	Pest Control Business	40-49	Yes	Qualified Baker, Qualified Pest Controller	Pest Controller	1.5 Years	6 Years	No
INFORMATION MEDIA AND TELECOMMUNICATIONS	M	No	40-49	No	Honours Degree	Project Manager in Telecommunications	15 Years	2 Years	No
ACCOMMODATION AND FOOD SERVICES	M	No	21-29	No	No Qualification	Student	Straight Away	3-4 Years	Yes
ELECTRICITY, GAS, WATER AND WASTE SERVICES	M	Many Businesses	60-69	Yes	NCEA	Multiple Business Owner	5 Years	2 Years	Yes
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES	M	Finance Business	40-49	Yes	Bachelor Of Computer Science	Financial Manager	4 Years	3 Years	Yes
PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES	M	Running Multiple Business	60-69	Yes	Diploma	Multiple Business Owner	1 Year	2 Years	Yes

ADINISTRATION AND SUPPORT SERVICES	M	Yes	60-69	No	Graduate Membership of the Institute of Fire Engineers	Firefighter	10 Years	3 Years	No
CONSTRUCTION	M	Running Multiple Business	40-49	No	Diploma	Multiple Business Owner	1 Year	7 Years	Yes
CONSTRUCTION	M	Bakery Business	50-59	No	Trade Qualification	Business Owner	1-2 Years	2 Years	Yes
CONSTRUCTION	M	Menswear Business	50-59	No	5 <sup>th</sup> Form Certificate	Business Owner	1 Year	7 Years	Yes
FNANCIAL AND INSURANCE SERVICES	M	Grave Digger	50-59	No	No Qualification	Grave Digger	1 Year	2 Years	No



## Appendix 2: NEW Participant Profile

INDUSTRY	SEX	PRIOR BUS EXP	AGE	BUS PARTNER	HIGHEST QUALIFICATION	PRIOR PROFESSION	TIME BETWEEN SETTING UP BUSINESS & INITIATING FRANCHISING	EXPOSURE TO BUSINESS IN CHILDHOOD
RENTAL, HIRING AND REAL ESTATE SERVICES	M	Refrigeration and Heat Pump & Electrical Business	40-49	No	Engineering Degree	Engineering	3 Years	Yes
ADMINISTRATION AND SUPPORT SERVICES	M	Real Estate, Dealerships, Restaurant, Orchards	70-79	Yes	Valuation Of Farm Management Degree	Farming and Business	2-3 Years	Yes
ARTS AND RECREATIONAL SERVICES	M	Self-Employed: Advertising	50-59	No	University Entrance.	Retailing; Sports Coordinator at an Indoor Sports Centre	2.5-3 Years	No
CONSTRUCTION	M	Air Filtration	50-59	No	Secondary School	Truck Driver	3-4 Years	Yes
CONSTRUCTION	M	Yes	40-49	No	No Qualification	Business Owner	1 Year	No
RETAIL	M	Farmer	40-49	Yes	No Qualification	Farmer	2 Years	Yes
ADMINISTRATION AND SUPPORT SERVICES	M	Multiple Businesses	30-39	Yes	School Certificate	Marketing Manager	2 Years	Yes
CONSTRUCTION	M	Accounting	60-69	Yes	Partial Degree	Accounting	Straight Away	Yes

CONSTRUCTION	M	Yes Property	70-79	No	No Qualification	Pastor	2 Years	Yes
ADMINISTRATION AND FOOD SERVICES	F	Yes	60-69	No	Masters In Information Technology	Consultant	7 Years	No
ADMINISTRATION AND SUPPORT SERVICES	F	Yes: Sales	50-59	Yes	No Qualification	Sales	3 Years	No
ACCOMMODATION AND FOOD SERVICES	M	No	30-39	Yes	College Degree	No Prior Profession	6 Months	Yes
ADMINISTRATION AND SUPPORT SERVICES	F	Commercial Cleaning Company	50-59	Yes	Diploma	Financial Controller	3 Years	Yes
CONSTRUCTION	M	Yes	40-49	Yes	Bachelor of Science	Finance	1 Year	No

### Appendix 3: SUCCESSFUL Participant Profile

INDUSTRY	SEX	PRIOR BUSINESS EXPERIENCE	AGE	BUSINESS PARTNER	HIGHEST QUALIFICATION	PRIOR PROFESSION	TIME BETWEEN SETTING UP BUSINESS & INITIATING FRANCHISING	EXPOSURE TO BUSINESS AS A CHILD
EDUCATION AND TRAINING	F	No	50-59	No	Teaching Degree	Teacher	4 Years	No
CONSTRUCTION	M	Twice	50-59	Shareholding Between 3 Others	MBA	Builder by Qualification, Past 25 Years In Sales & Marketing	1 Year	Yes
CONSTRUCTION	M	Y	40-49	No	6 <sup>th</sup> Form Cert, Diploma in Agriculture	Dairy Farming	10 Years	Yes
TRANSPORT, POSTAL AND WAREHOUSING	M	Y	50-59	Yes (Spouse)	BCom	Teaching and Share Broking	1.5 Years	No
INFORMATION MEDIA AND TELECOMMUNICATIONS	M	Multiple Different Businesses	40-49	Yes (Spouse)	Automotive Engineer	Business	4 Years	Yes
ACCOMODATION AND FOOD SERVICES	M	Yes	50-59	Yes (Spouse)	School Senior	Bank and Hospitality	10 Years	Yes
CONSTRUCTION	M	No	40-49	Yes	Marketing Degree	Banker	2 Years	Yes
RETAIL	M	Yes	60-69	Yes	Certificate in Management	Environment Health Officer	3 Years	No

ACCOMODATION AND FOOD SERVICES	M	Food Manufacturing	40-49	Yes	Sixth Form	Business Owner	2 Years	No
RENTAL HIRING AND REAL ESTATE SERVICES	M	Yes	40-49	No	Advanced Carpentry	Business Owner	8 Years	No
CONSTRUCTION	M	No	50-59	Yes	University Entrance	Builder	29 Years	Yes
RENTAL, HIRING AND REAL ESTATE SERVICES	M	Depreciation Support Services	40-49	Yes	Post Graduate Diploma in Commerce	Previous Business Owner	1 Year	No
CONSTRUCTION	M	No	50-59	No	Marketing Degree	Business Owner	Straight Away	No
CONSTRUCTION	M	Yes	40-49	Yes	No Qualification	Business Owner	14 Years	No
RENTAL, HIRING AND REAL ESTATE SERVICES	F	Engineering	40-49	Yes	Diploma in Business Management	Real Estate	Straight Away	Yes
RENTAL, HIRING AND REAL ESTATE SERVICES	F	Yes	40-49	Yes	Degree with Double Major in Marketing	Business Owner	2 Years	Yes
RETAIL	M	Yes	40-49	Yes	School Certificate	Marketing Manager	2 Years	Yes
RETAIL	M	Family Business	50-59	Yes	5 <sup>th</sup> Form Certificate	Family Business	41 Years	Yes
CONSTRUCTION	M	Multiple Businesses	60-69	Yes	No Qualification	Service Industry	Straight Away	Yes
CONSTRUCTION	M	Furnishing Business	60-69	No	School Certificate	Banking	Months	Yes
RETAIL	M	No	60-69	Yes	University Entrance	Airforce	10 Years	Yes

ARTS AND RECREATIONAL SERVICES	M	No	40-49	No	Bachelor Of Music	Sales Manager	2 Years	Yes
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### INFORMATION SHEET

**Title:** The Evolution of Strategy during Franchise Start-up and its Impact on Franchise Continuity

#### What is this study about and why is it important?

New Zealand franchises have a significant imprint on global statistics: New Zealand has more franchises per capita than anywhere else in the world and contributes between \$19.4 Billion and \$21 billion to the New Zealand economy. However, multiple research studies have revealed the fragility of franchises during the first few years, with franchises very vulnerable to franchise failure. As a result, the start-up stage of franchising has been claimed as the most important stage to ensure franchise continuity. These statements and the fact that franchising is one of the most rapidly developing business models in New Zealand and internationally, highlights the significance of my proposed study which seeks to examine in depth the start-up stage of franchising from the franchisors' perspective.

The interview questions shaping the research will be based around how franchisors perceive the implementation of their franchise strategy in relation to their overall franchise plan, what aspects were followed or deviated from and what was the rationale behind decisions and plans made.

Questions will also consider the franchisors' rationale regarding the reasons for their franchise success or termination. A secondary method of data collection may involve document analysis. This could comprise of examining business plans, media reports, marketing materials, webpages, manuals, contract, disclosure documents and any other documentation made available to the researcher.

Because of the economic significance, business opportunities, and employment prospects franchising provides, it is important to understanding how strategic planning and implementation impacts on franchise continuity. The findings of this research will provide

insights into the realities of expanding a business using franchising that will be of value to prospective franchisors, as well as those agencies seeking to support this sort of business development.

### Interviews:

The interviews will take at least one hour and I may need to interview you on several occasions to enable you to fully tell your story. The interview will be conducted by telephone at your convenience and will be tape recorded with your permission.

I recognize that there may be commercially sensitive information you do not wish to disclose. You can choose not to answer any questions if you consider it inappropriate or may require disclosure of sensitive information.

Prior to the telephone interview, a set of demographic questions and a timeline grid will be emailed to you to be filled in prior to the interview, with detailed instructions.

The interview process will begin with you telling your story of how you franchised your business, as detailed as you possibly can. Because I want to capture your story as fully as possible, our interview will begin with you telling your story without any interruptions from me. After that, I will ask you related questions about your story, followed by some more specific questions.

At the end of the interview, I will recap on my understanding of what you have shared. At this point you can correct me or ask for information to be disregarded.

Interviews will then be transcribed and the tapes erased. I will send you the transcript for final checking before I commence my analysis. Transcriptions will be kept on a password-protected computer and only shared with my supervisor. All names that would allow your company or you personally to be identified will be replaced with codes or fictitious names to protect your identity.

You may withdraw from the project up until June 30, 2014. At this point I will be preparing my research report.

This research project has been reviewed and approved by the University of Canterbury Human Ethics Committee.

#### Publication of findings:

Findings may be written up and presented to the Management Department as part of my assessment. The findings may also be published with the assistance of my supervisor, Associate Professor Colleen Mills. Your company's name and your name will be disguised in any presentation, report or paper written.

#### More information:

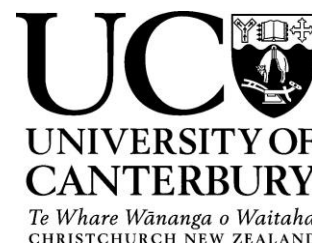
If you have any questions about the questions about the project, please feel free to contact me on my mobile phone: 027 62 63 64 6 or by email: [faith.jeremiah@pg.ac.nz](mailto:faith.jeremiah@pg.ac.nz) prior to our interview.

My supervisor is also happy to provide further information. She can be contacted on [colleen.mills@canterbury.ac.nz](mailto:colleen.mills@canterbury.ac.nz) or (03) 3667-001 Ext 8618.

Thank you for considering this invitation to participate in my study,  
Faith Jeremiah



## Consent Form



I have read the information sheet concerning this project and understand what it is about. All my questions have been answered to my satisfaction. I understand I am free to request further information at any stage.

I confirm that I know:

- My participation in the project is voluntary
- I am free to withdraw from the project up until May 30, 2014 without any disadvantage.
- The data will be recorded, transcribed and used in at least one research presentation, a research report and possibly in academic publications (e.g., academic journal articles).
- My identity and the identity of my business will not be disclosed without my consent in any presentation, report or publication.
- I will receive a copy of the transcript to check for accuracy. I have the power to remove or correct any aspect of the data that is incorrect or potentially commercially or personally harmful and that an opportunity to do this will be given immediately after the interview and prior to analysis commencing.
- I am aware that this research has been reviewed and approved by the University of Canterbury Human Ethics Committee.

I voluntarily agree to take part in this project. My signature indicates I am giving my informed consent to participate.

Signature:

Date:

## Appendix 5: Prior to Interviewing

*My specific area of interest is to capture your story of how you started franchising. The start-up stage begins from the moment you decided to franchise until your second franchisee comes aboard. During the interview, please pretend that I know absolutely nothing about franchising and that I want to know all the details of how you franchised your business.*

*For now, what I would like you to do is to jot down main events/stages/decisions or any other key aspects of your experience in the timeline (on the next page) with approximate dates if possible please. I am happy if you prefer to print it off and handwrite instead of typing. When you have completed the timeline and demographic questions please return a copy to me via email or post. This timeline will assist as a memory stimulus for you during the interview.*

